

# Cover design: Our turtles. They choose Aruba's beaches as a safe haven; They choose Aruba's beaches as their breeding ground; They connect and communicate through vocalizations and body language. Their slow and steady pace represents resilience and endurance.

# **Executive Summary**

# Tourism Surge Fueled Aruba's 2024 Economic Growth

In 2024, Aruba's overall economy exhibited continued strength, driven by the robust performance of the tourism sector. Increased revenues and a higher number of visitors from the United States and Latin America boosted growth. This surge in tourism related activities, along with rising domestic demand, improved all consumption indicators. Large construction projects, mainly in the tourism sector, also spurred economic activity and investment. Although investment indicators were mixed, with some showing contraction, the overall impact was positive. Nonetheless, when looking at GDP growth per capita, growth in 2024 was consistently lower than the overall GDP growth rates.

By the end of 2024, the 12-month average inflation rate slowed to 1.7% from 3.4% at the end of 2023. This decrease was due to the waning impact of the utility tariff hike in August 2022, the reduction of electricity tariffs in May 2023, and a smaller contribution from food prices. Communication services and housing maintenance were the prime drivers of inflation in December.

In 2024, the Balance of Payments (BOP) recorded a current account surplus of Afl. 715.2 million, reflecting mostly higher revenue from tourism services Consequently, by the end of the year, international reserves were more than adequate according to Centrale Bank van Aruba (CBA) benchmarks. Additionally, government tax revenues rose due to the robust performance of the tourism sector. Enhanced labor market conditions and heightened economic activities contributed to increases across all tax revenue categories. Meanwhile, higher interest expenses and goods and services outlays pushed up expenditures. In 2024, the GoA's debt-to-GDP ratio reached an estimated 70.2%, after peaking at 126.5% as a result of the COVID-19 crisis loans in 2021.

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# 1 Domestic Economy

### 1.1 Economic Growth

According to the Central Bank of Aruba's (CBA) estimates, the Aruban economy, as measured by real Gross Domestic Product (GDP), expanded by 6.9% in 2024 (Chart 1). This expansion was smaller than the 7.7 percent uptick recorded in 2023 and was a continuation of the decelerating post-pandemic growth rate. The boost in GDP during 2024 was driven mainly by upturns in tourism exports and investments. The rise in tourism exports was fueled by an expansion in tourist arrivals, although their real spending per night declined. Investments also contributed to this economic growth. Meanwhile, the ongoing construction of large projects, predominantly in the tourism sector, boosted private investments.

On the other hand, a year-over-year comparison of quarterly GDP growth reveals a predominantly decelerating trajectory of growth in 2024. The first quarter recorded a growth rate of 8.8%, followed by increases of 10.1%, 5.5%, and 3.1% in subsequent quarters. This trend reflects a decline in tourists' real spending per night, which fell throughout 2024 except in the second quarter, when a modest uptick in GDP growth from 8.8% to 10.1% coincided with a temporary rise in spending. However, when measured by real GDP per capita, growth in 2024 was consistently lower than the overall GDP growth rates mentioned above. This indicates that while the overall economy expanded, the distribution of benefits diminished on an individual level, primarily due to population growth.

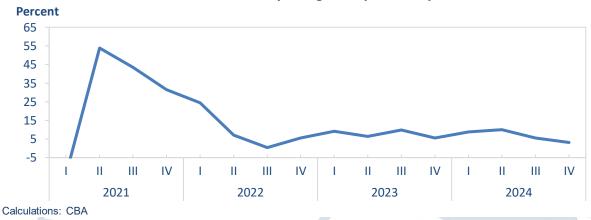


Chart 1: Quarterly GDP growth year-over-year

Box 1: The limits of tourism on improving living standards in Aruba Stephanie Werleman, Rynall Kock

The Central Bank of Aruba's (CBA) State of the Economy (SOTE) typically reports on economic growth and tourism development when discussing real sector developments in the Aruban economy. This section

illustrates that increased tourism does not automatically translate into overall economic development and improved quality of life in Aruba.

### GDP advancements lagging behind tourism expansion

When comparing data of the fourth quarter of 2024 to the first quarter of 2019, the number of tourists staying over jumped by 15.3%, nominal tourism credits by 24.6%, and real Gross Domestic Product (GDP) by 14.3%1. These numbers indicate that the growth in the number of stay-over visitors and tourism credits is above that of real GDP. This indicates that while tourism related activities, which boosted tourism credits, expanded notably, GDP did not necessarily gain at the same pace. As a single-pillar economy, Aruba relies heavily on tourism as its main contributor to GDP. Therefore, at first glance, one might assume that higher growth in tourism would directly translate into higher GDP - with the expectation that both figures would rise at roughly the same rate. However, the above-mentioned figures show that this supposition did not hold during the period under review.

The same pattern emerges when comparing the expansion in tourism density (stay-over visitors per capita) and tourism credits per capita to the increase in real GDP per capita, a widely used indicator for economic development (Chart A). Chart A clearly illustrates the strong recovery in tourism density (stay-over visitors per capita) and tourism credits per capita beginning in the third quarter of 2020, and continuing thereafter. Nevertheless, from that quarter through the last quarter of 2024, the growth in real GDP per capita almost consistently lagged behind the growth in stay-over visitors and tourism credits per capita. This suggests that while tourism rebounded swiftly, its impact on broader economic prosperity was more subdued - possibly due to structural factors, such as high import dependence, limiting the translation of stay-over visitors and spending into widespread economic gains. In general, the heavy reliance on imports acts as a persistent drag on both GDP and GDP per capita, as much of the revenue generated by tourism ultimately flows out of the local economy through external leakages.

<sup>1</sup>Between the first quarter of 2019 and the fourth quarter of 2024, cruise visitor numbers declined by 16.0%, leading to a 0.3% reduction in overall visitor growth. This downturn was a protracted consequence of the COVID-19 pandemic, which significantly reduced cruise arrivals at the port of Aruba. Moreover, the recovery of cruise tourism lagged behind that of stay-over visitors



*Note.* The tourism density indicator is calculated as the total number of stay-over visitors divided by the local population. This graph illustrates the growth in the above-mentioned indicator.

### Income disparities may persist despite strong GDP per capita

According to the International Monetary Fund (IMF) World Economic Outlook Database of October 2024, Aruba's real GDP per capita in 2023 (44,121) is high vis-a-vis Latin America and the Caribbean (18,850). However, not everyone may be equally well-off (Chart B). One indicator that reflects this issue is the Gini coefficient, which measures income inequality. The Gini coefficient varies between 0 and 1, with a Gini of 0, indicating that every household earns the same income, whereas 1 signals that one household earns all the income. Based on the Labor Force Survey (LFS) of November 2023, the Research and Economic Policy Department estimated a Gini coefficient of 0.398. Following Pyatt's (1976) interpretation, this figure indicates that an Aruban resident is expected to gain 39.8% of the average national income by randomly receiving the income of another resident. While the Gini coefficient dropped from 0.440 in 2019 (SDG-Indicator Working Group, 2021), Gini coefficients around these levels are considered high according to the World Bank's standards (Haddad et al., 2024).

1 0.9 Cumulative income share 0.1 0 0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 1 Cumulative population share

Chart B: Income distribution in Aruba for 2023 at the indiviudal level

Data source: LFS November 2023. Estimation: CBA

### Locals have more concerns about expanding tourism

Not only does hard data reveal that tourism growth is no guarantee for improved quality of life, but locals increasingly share this sentiment as well. For example, 68% of respondents believe the impact of tourism is positive in the 2024 Local Sentiment Survey of Aruba Tourism Authority (ATA), compared to 78% in 2018. This decline might be associated with various concerns around tourism. In that same survey, respondents were asked about five tourism-related concerns: cost of living, unaffordable housing, damage to nature, unsustainable infrastructure, and locals not benefiting from tourism-generated revenue. Table A reveals that concerns rose across all domains. In particular, many respondents reported concerns around sustainable infrastructure (55%) and locals not benefiting from tourism-generated revenue (45%), whereas these concerns were practically non-existent before.

Table A: Five tourism-related concerns of Aruban residents

	Cost of living	Unaffordable housing	Damage to nature	Unsustainable infrastructure	Locals not benefiting from tourism generated revenue
2018	51%	25%	29%	4%	3%
2024	80%	64%	55%	55%	45%

Source: Local Sentiment Survey 2024 and 2018 by ATA

Hard data and empirical work contextualize the concerns of locals

Hard data substantiates the perceptions of Aruban residents. Unsustainable infrastructure can, for instance, be noted in the wastewater capacity, where the Bubali plant receives 8,500 to 12,000 m3 of wastewater daily, depending on the rain and tourism season (Ministry of Nature, 2022). However, its daily capacity is 4500 m3, with various studies (Stolte & Deekens, 2017; Vermeij et al., 2019) highlighting the negative environmental consequences hereof. Regarding concerns around unpayable housing, studies such as Peterson (2024) document that the market intensity of vacation home rentals (VHRs) is negatively associated with regional housing affordability. That study finds that between 2016-2021, the house price-to-income ratio (PIR) rose especially in Noord-Tanki Leendert, Paradera, and Oranjestad West, whereas in Oranjestad East the house PIR fell, and in San Nicolas it was unchanged. To the extent that increasing house prices raise the opportunity cost of not renting one's property, higher rent prices may follow, potentially hiking the cost of living in certain regions.

### Conclusion

This section revealed that GDP advancements were below tourism progression in Aruba. Furthermore, despite the GDP improvements, income disparities among the population remained. Soft data appear to reflect these shortcomings of tourism expansion, in that locals have rising concerns about not benefiting from tourism-generated revenue, unaffordable housing, and cost of living.

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### 1.2 Tourism

In 2024, all tourism-related indicators registered increases except for the Average Length of Stay (ALOS) (Table 1). The number of stay-over visitors continued its upward trend and went up by 161,214 (12.8%), mainly due to a larger influx of visitors from the United States (+108,933810 or +11.4%) (Chart 2). Despite the increase in the number of visitors from the United States, its market share went down from 75.7% in

2023 to 74.8% in 2024. The latter resulted from the South American market's share rising from 10.5% to 12.8%, signaling a slight diversification in the tourist profile. Throughout the year, demand from the South American market grew, with an expansion of 50,411 visitors (+38.2%). The majority of these visitors came from Colombia (+12,907 or +24.5%), Peru (+12,345 or +165.6%), and Argentina (+8,550 or +45.3%).

Table 1: Tourism indicators for Aruba				
	2022	2023	2024	
Stay-over vi <mark>sitors</mark>	1,100,997	1,260,402	1,421,616	
Average len <mark>gth of s</mark> tay (in days)	7.3	7.2	6.9	
Total visito <mark>r nights</mark>	8,004,242	9,071,151	9,811,665	
Cruise visitors	610,474	817,670	897,274	
Hotel occupancy (%)	75.0	78.0	81.7	
Average daily rate (US\$)	309.0	341.1	364.3	
Revenue per available room (RevPAR) (US\$)	231.9	266.1	297.5	
Tourism revenue per night (in Afl.) 514.1 516.2 535.9			535.9	
Tourism revenue* (in Afl. million)	4,114.6	4,682.3	5,258.5	

Sources: CBA, ATA, AHATA



<sup>\*</sup>Those recorded at local commercial banks and registered foreign accounts as published in CBA quarterly table 8.2

**Total visitor nights also increased, though at a more modest pace.** The rise in the number of stay-over visitors solely drove the 8.2% growth in visitor nights, which was partially offset by a 4.1% decrease in the ALOS, which dropped from 7.2 days to 6.9 days (Chart 3). The latter indicates that while Aruba welcomed more stay-over visitors in 2024, their stay on the island was shorter than occurred during the previous year. The 4.1% decline marks the fourth consecutive reduction in ALOS since 2021, reflecting a growing preference for shorter vacations. This shift in vacation length may indicate changing patterns following the initial surge in ALOS immediately after the COVID-19 pandemic.



In 2024, tourism revenues rose by 12.3%, reflecting a slower growth rate than the 13.8% rise in 2023. An 8.2% gain in total visitor nights and a 3.8% upswing in tourism spending per night drove the 12.3% upturn.

Indicators related to the hotel industry reflected the profitability of the sector in 2024. The occupancy rate jumped from 78.0% in 2023 to 81.7% in 2024, continuing its upward trajectory since 2021. However, the pre-COVID-19 level of 84.8% has not yet been reached. This shortfall may be attributed to the larger number of hotel rooms available — as new hotels opened after the crisis, placing downward pressure on the average occupancy rate of hotels. Alternatively, this rate could be linked to the greater availability and occupancy of short-term vacation rentals, such as Airbnb's. Hotels reported notable growth in their performance metrics in 2024 vs. 2023. Revenue Per Available Room (RevPAR) expanded by 11.8%, climbing from US\$ 266.1 to US\$ 297.5. Meanwhile, the Average Daily Rate (ADR) saw a 6.8% rise, going from US\$ 341.1 to US\$ 364.3.

In tandem with the aforementioned developments, the cruise sector also advanced in 2024. The numbers of cruise visitors and calls strengthened by 9.7% and 9.5%, respectively. For the first time since

the disruptions caused by the COVID-19 pandemic in 2020, cruise visitor numbers recovered and surpassed pre-pandemic levels. Aruba welcomed 832,001 cruise passengers in 2019, which rose to 897,274 in 2024.

### 1.3 Consumption

In 2024, all available consumption-related indicators showed improvements (Chart 4). Utilities consumption data revealed growth, with household electricity usage surging by 12.2% (measured in kWh) and household gas consumption increasing by 4.7% (measured in pounds).

Similarly, data from the commercial banking sector points to a rise in the outstanding value of consumer credit (+10.1%). Additionally, the amount of newly issued individual consumer credit grew, specifically by 19.4%. The disparity between the growth rates of new consumer credit and the outstanding value of consumer credit reflects that, while demand for consumer credit grew, repayments on existing loans were larger than in the previous year.

A significant rise in car loans (+29.3%) drove the expansion in the outstanding value of new consumer credit (+10.1%). The growth in car loans is reflected in findings from the Consumer Confidence Survey (CCS) conducted by the CBA. In 2024, 10.9% of respondents, on average, considered buying a car suitable, compared to a lower rate of 9.3% in 2023. Additionally, data from the Aruba Car Dealers Association (ACDA) revealed that 279 more cars (+8.1%) were sold in 2024 than in the previous year. The uptick in car loans matches that seen in the prior year (2023: +22.0%), reflecting improved car availability after the global semiconductor shortage and more commercial banks conducting car sales campaigns during 2023 and 2024 to capitalize on increased supplies.

Jumps in personal loans (+3.4%) and credit card loans (+1.4%) complemented the growth in car loans. The 7.2% rise in personal loans represents a significant contrast to the growth rates in prior years (2023: +0.2% and 2022: -4.1%) and reflects higher demand for loans. This aligns with the CCS findings, where the average percentage of respondents indicating that taking out a loan is suitable expanded to 11.6% in 2024 from 9.5% in 2023 and 9.7% in 2022. However, the gains in car loans, personal loans, and credit card loans were counterbalanced by an 8.9% decrease in 'other' consumer credit during the period under review.

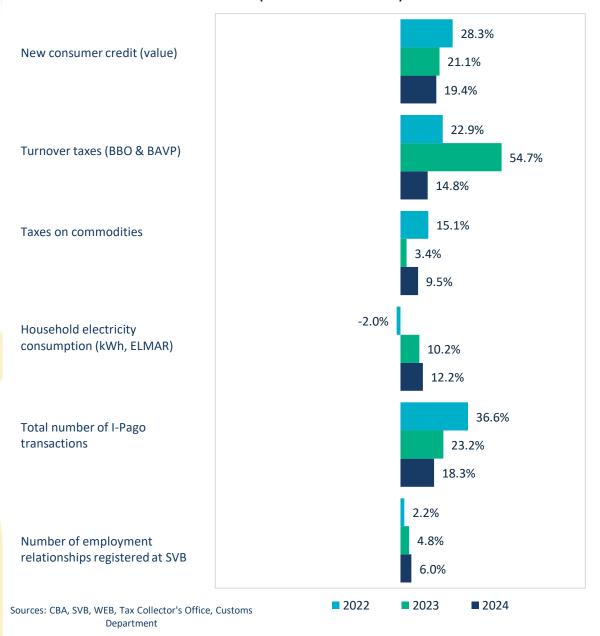
In line with the previous developments, the number of I-Pago transactions surged by 18.3% in 2024. A 23.5% rise in transactions ranging from Afl. 0 to Afl. 250, complemented by a 13.2% growth in transactions exceeding Afl. 250 were the primary drivers of this rise. These figures highlight an uptick in spending activity through the I-Pago system.

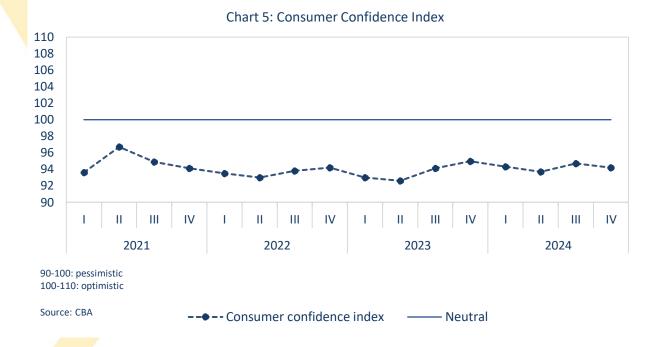
Data obtained from the Tax Collector's Office also supports the earlier developments. In 2024, revenues from taxes on commodities and turnover taxes rose by 9.5% and 14.8%, respectively. These surges suggest higher local consumption levels but could also reflect a price effect driven by inflation. Additionally, these growth rates might be skewed as they also account for tourist spending, with the degree of spending possibly exaggerating perceived growth in local consumption levels. It is noteworthy that the increase in turnover taxes (+14.8%) is significantly smaller than the 2023 uptick (+54.7%), which may be related to the amplification in the BBO rate on January 1, 2023.

In 2024, the number of employment relationships registered at the Sociale Verzekeringsbank (SVb) enhanced by 6.0%, marking a higher growth rate than in previous years (2023: +4.8% and 2022: +2.2%). This 6.0% growth likely contributed to a greater likelihood to engage in spending, supporting the positive trends observed in the consumption-related indicators described earlier.

The average Consumer Confidence Index (CCI) grew in 2024 compared to 2023, climbing from 93.7 to 94.2 — still 0.4 index point less than the pre-COVID-19 average of 94.6 in 2019 (Chart 5). The higher index reflects less pessimistic sentiments among local consumers. The improvement was evident in the Present Situation Index (PSI) and the Future Expectation Index (FEI). The average PSI augmented from 93.8 to 94.2, while the FEI edged up from 94.3 to 94.9, indicating reduced pessimism about the present situation and the next six months. Additionally, the average for the Consumption and Borrowing Habits Index (CBHI) jumped from 93.8 to 94.5, signaling a higher tendency to spend on large-scale items and take out loans. In contrast, the Price Expectation Index (PEI) remained relatively stable, with an average of 90.3 compared to 90.4 in the previous year.

Chart 4: Consumption-related indicators (2024 vs. 2023 vs. 2022)





### 1.4 Investment

Data from the commercial banking sector related to mortgage activities point to relatively smaller investment projects during 2024 compared to the same period in 2023. The number of new commercial mortgages rose by 34.5%, while the value of new commercial mortgages contracted by 10.0% (Chart 6). The contraction in new commercial mortgages values is a reversal of the developments witnessed in the same period of 2023, suggesting a shift toward smaller construction projects. Furthermore, 2024 data on new housing mortgages show an increase in the number (+1.0%) and value (+6.3%) of new housing mortgages. In the corresponding period of 2023, the number of new housing mortgages fell (-5.8%), while the value expanded (+5.0%). In both years, the value of new mortgages outpaced the number of new mortgages. This may be related to increasing prices for materials and services related to housing construction observed over the past two years.

In 2024, the number and value of construction permits declined by 15.9% and 30.3%, respectively. The largest contributor to the contraction in the number of construction permits was the category 'houses' (-93 permits; -16.3%). The decrease in the value of construction permits, on the other hand, stemmed mainly from construction permits in the category 'others' (-Afl. 149.6 million; -65.7%). The latter includes construction permits for condominiums. The substantial drop in the aforementioned category primarily reflects the incidentally large value for the category 'others' registered in Q3 2023 (Afl. 202.4 million) compared to Q3 2024 (Afl. 29.9 million). It should be noted that construction permits data are to be interpreted with caution, due to the potential time lag between the issuance of permits and actual investment. Consequently, the value of construction permits does not necessarily equal investment expenditures during the period under review.

The Business Perception Index (BPI) reported in the CBA's Business Perception Survey (BPS), reached 107.8 at the end of 2024, entailing an improvement of 0.9 index point compared to the same period in 2023 (Chart 7). A stronger current economic conditions index (+1.0 index points) and short-term economic conditions index (+0.7 index point) were the drivers of the upturn in the BPI. The improvement in these indices reflects increased optimism in local businesses' perceptions of current and future economic conditions. Likewise, the BPS Investment Index expanded from 104.4 at the end of 2023 to 106.8 at the end of 2024. The latter occurred as more respondents reported an improvement in current investment conditions in the fourth quarter of 2024 compared to the same quarter of 2023 (2024-IV: 42.9% vs. 2023-IV: 29.5%). With regard to short-term investment plans, a larger share of respondents declared investment plans in BPS 2024 Q-IV (61.2%) vs. BPS 2023-IV (56.8%) (Chart 8).

18.8% Import of construction 14.3% materials (value)\* Import of base metals and 34.9% derivated work (value)\* 17.2% Import of machinery and 32.2% elctrotechnical 9.1% equipment (value)\* 39.2% New housing mortgages 5.0% (value)\*\* 6.3% 92.0% New commercial mortgages (value)\*\* 5.4% -10.0% -23.8% Construction permits (value) 77.0% -30.3%

\*Complete data for 2024 was unavailable at the time

\*\*Corrected for 2022 loan portfolio takeover.

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Chart 6: Investment-related indicators (Percentage change 2024 vs. 2023 vs. 2022)

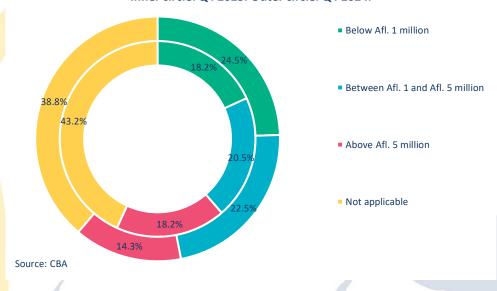
**■** 2022 **■** 2023 **■** 2024

Sources: CBA, CBS, DOW





Chart 8: Share of businesses responses on their investment plans Inner circle: Q4 2023. Outer circle: Q4 2024.



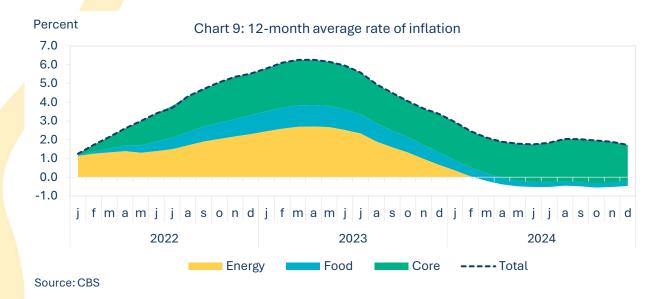
### 1.5 Consumer Price Index

At the end of December 2024, the 12-month average inflation reached 1.7%, down from 3.4% at the end of December 2023 (Chart 9). The main contributor to the 12-month average inflation was communications (+0.9 percentage point), which reflects steeper telephone service prices (+0.9 percentage point). To a lesser extent, housing also contributed to inflation (+0.3 percentage point), spurred by higher prices for the maintenance and repair of dwellings (+0.5 percentage point). Likewise, miscellaneous goods and services contributed 0.3

percentage point to the 12-month average inflation rate. To a smaller extent, the food component contributed by 0.2 percentage point, while the energy component made a negative contribution of 0.5 percentage point.

The 12-month average inflation rate in December 2024 fell by 0.3 percentage point compared to September 2024 (Chart 9). This decline in inflation reflects a broader trend that started in May 2023. The principal contributors to the falling inflation trend include the lowering of electricity tariffs in May 2023, diminishing contribution of the utility tariff hike in August 2022, reduced gasoline and diesel prices, and a smaller contribution of food items.

The 12-month average core inflation – inflation excluding energy and food – amounted to 1.9% in December 2024. The core component of inflation includes telephone services, maintenance, and repair of dwellings, as well as miscellaneous goods and services, which, as previously mentioned, were the primary drivers of the 12-month average inflation rate.



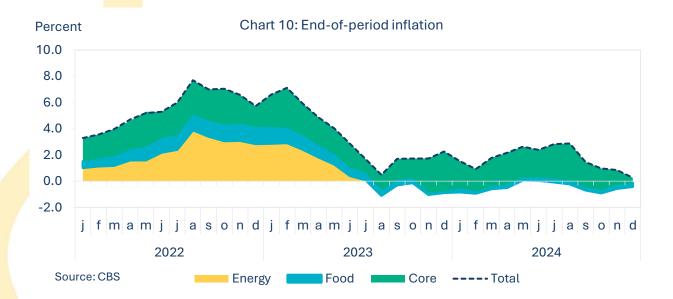
The end-of-period (EOP) inflation amounted to 0.3% in December 2024 (Chart 10). The leading contributors to this rate were the purchase of vehicles (+0.4 percentage point) and food (+0.3 percentage point). As Box 1 highlights, the 2024 U.S. agricultural shock to cost of poultry and poultry-related products was a primary driver of food inflation.

To a lesser degree, restaurants and hotels, as well as miscellaneous goods and services contributed to the EOP inflation, both by 0.2 percentage point. However, the energy component (-0.4 percentage point), holidays (-0.4 percentage point), and household appliances (-0.3 percentage point) exerted downward pressure on EOP inflation.

### Compared to September 2024, EOP inflation in December 2024 declined by 1.2 percentage points (Chart 10).

The shifting contribution of electricity (from 0.0 to -0.3 percentage point) and holidays (from 0.0 to -0.4 percentage point), in addition to the lower contribution by telephone services (from 0.5 to 0.0 percentage point), pushed this deceleration in the EOP inflation. On the other hand, gasoline exhibited less deflation (from -0.6 to -0.1 percentage point).

The EOP core inflation rate – inflation excluding energy and food – amounted to 0.4% in December 2024, down from 1.9% in September 2024. Similar to the 12-month average core inflation rate, the EOP core inflation rate surpassed the total EOP inflation rate in September and December 2024.



### Box 2: The 2024 U.S. agricultural shock raised Aruba's food inflation rate

The food component was the second largest contributor to EOP inflation with 0.3 percentage point in 2024. In turn, CBS data show that chicken and eggs were responsible for a 0.2 percentage point contribution to the EOP inflation rate. At first glance, this contribution seems modest, but chicken (0.8%) and eggs (0.2%) have small weights in the consumption basket. Unweighted figures provide a distinct picture — where Aruban prices for chicken (+10.0%) and eggs (+32.4%) surged in December 2024 compared to December 2023.

This price spike in chicken-related products stemmed largely from imported inflation from the United States (refer to the event study below). In the United States, egg prices (grade A, large, per dozen) jumped from US\$

2.51 in December 2023 to US\$ 4.15 in December 2024<sup>2</sup>. Chicken inflation (fresh, whole, per pound) was more moderate at 5.4%<sup>3</sup>.

Various compounding factors were responsible for higher prices for chicken-related products in the United States.

### 1) Bird flu outbreaks

- a. In 2024, a resurgence of bird flu sharply reduced the poultry supply, especially the number of egg-laying chickens. In December 2024 alone, the USDA observed a depopulation of 13.2 million in egg-laying chickens infected with bird flu<sup>4</sup>. This supply shock shrank egg production, creating egg shortages.
- b. Broiler chickens for meat were less impacted than egg-layers as USDA data show that broiler production growth amounted to 1.3% in 2024<sup>5</sup>.

### 2) Higher feed and production costs

a. Producers also faced rising costs for feed, energy, and other inputs. The prices for corn and soybean meal – the primary chicken feeds – were still at elevated levels in the aftermath of global supply disruptions and the war in Ukraine. For example, the Prices Paid Index from the USDA<sup>6</sup>, which records the prices paid by producers for production inputs, interest, taxes, wage rates, and family living items, rose by 4.1% in December 2024 compared to December 2023.

### 3) Cage-free egg laws

a. Several states, such as Nevada, Oregon, and Washington have passed cage-free egg laws<sup>7</sup>, although in some states this law only applies to eggs sold in-state. These laws have forced some farmers to invest in new infrastructure and cut production, potentially raising per-unit costs for eggs.

### Event study of the U.S. agricultural shock

Furthermore, this event study analysis shows that the U.S. agricultural shock significantly explains the Aruban price hike in chicken and eggs throughout 2024. These price hikes are not solely driven by the U.S. agricultural shock but also reflect trend behaviors, macro- and microeconomic factors, and other shocks. Therefore, to isolate the effect of the U.S. agricultural shock, this study constructs a shock-free inflation path. That is, the path of chicken and egg inflation assuming no U.S. agricultural shocks and other factors remaining constant in the short term. Chart C illustrates this path for eggs, although the principle is the same for chicken.

<sup>&</sup>lt;sup>2</sup> https://www.bls.gov/charts/consumer-price-index/consumer-price-index-average-price-data.htm#:~:text=Dec%202024

³ https://www.bls.gov/charts/consumer-price-index/consumer-price-index-average-price-data.htm#:~:text=Dec%202024

<sup>&</sup>lt;sup>4</sup> https://lifesourcenaturalfoods.com/wp-content/uploads/2025/01/ams\_3725.pdf

<sup>&</sup>lt;sup>5</sup> https://ers.usda.gov/sites/default/files/\_laserfiche/outlooks/112825/LDP-M-372.pdf?v=69368 and

https://ers.usda.gov/sites/default/files/ laserfiche/outlooks/108794/LDP-M-357.pdf?v=54056

<sup>&</sup>lt;sup>6</sup> https://www.nass.usda.gov/Charts\_and\_Maps/graphics/data/paid.txt

<sup>&</sup>lt;sup>7</sup> https://cagefreelaws.com/?utm\_source=chatgpt.com

Chart C: Identifying the shock to EOP egg inflation using model 1a and 1b



To derive the shock-free inflation path, this study assumes a 2.0% steady-state inflation rate for the cost of eggs and chicken. Furthermore, the identification strategy involves five autoregressive (AR) models across two approaches (Table B). The aim is to enhance the robustness of the regression results. In the first approach<sup>8</sup>, models (1) and (3) incorporate indicator variables to quantify the shocks (see related literature by Berke et al. 2017; Carter & Steinbach, 2024). The shock-free inflation path can be derived by netting out the shocks from the observed inflation path. The second approach<sup>9</sup> switches the order. That is, models (2) and (4) stop estimation just before the shock and then forecast a shock-free inflation path (see related literature by Menchetti et al., 2023; Bureau et al., 2022). Subsequently, comparing the shock-free inflation path with the observed inflation path reveals the shock size.

<sup>&</sup>lt;sup>8</sup> In the first approach, inflation in model (1) and (3) is of the form  $Infl_{i,t} = (1 - \beta_i) * 0.02 + \beta_i * Infl_{i,t-1} + \sum_j^k \delta_{i,j} * D_{i,j} + \varepsilon_t$  where  $\beta_i$  indicates the inflation persistency in the "i-th" commodity, which in turn takes the value of 1 for eggs, and 2 for chicken. The other terms such as  $\delta_j$  represents the size of the "j-th" shock, with "k" indicating the total numbers of shocks. Moreover,  $D_{i,j}$  takes the value of 1 if the "i-th" commodity experienced the "j-th" shock at month "t", and 0 otherwise. Finally,  $\varepsilon_t$  represents the error term.

<sup>&</sup>lt;sup>9</sup> In the second approach, inflation in model (2) and (4) adheres to  $Infl_{i,t} = (1 - \beta_i) * 0.02 + \beta_i * Infl_{i,t-1} + \varepsilon_t$  with the regression terms are already explained in the previous footnote.

Table B: Egg and chicken EOP inflation regressed against their lags

	(1a) Egg model with shock indicators	(1b) Egg model with shock indicators	(2) Egg model with shortened sample	(3) Chicken model with shock indicators	(4) Chicken model with shortened sample
Egg EOP inflation lagged 1 month	0.91 (0.03)*	0.91 (0.03)*	0.91 (0.03)*		
Shock in 2024M5	0.16 (0.07)**	0.16 (0.07)**			
Shock in 2024M9	0.21 (0.07)*	0.21 (0.07)*			
Chicken EOP inflation lagged 1 month				0.95 (0.02)*	0.95 (0.02)*
Shock in 2024M11		0.11 (0.07)		0.05 (0.02)**	
Estimated partial effects are reported along with standard errors in parenthesis					
R-squared	0.83	0.84	0.83	0.93	0.93
Period	2008M2- 2024M11	2008M2- 2024M11	2008M2- 2024M4	2008M2- 2024M11	2008M2- 2024M5

<sup>\*</sup>p-value<0.01, \*\*p-value<0.05,\*\*\*p-value<0.10

The chosen shock dates in models (1) and (3) reduce the chance that shocks are simultaneously occurring. In particular, the shock dates (a) should represent the first date of an EOP swing above 5% in 2024 and (b) must minimize a base effect<sup>10</sup>. These conditions are the key to properly identifying the U.S. agricultural shock. Similarly, models (2) and (4) should ensure that (a) the estimation sample should end just before a big inflation movement and (b) the forecast sample must minimize a base effect.

### Results

According to the results, absent any shocks, the growth in the inflation trend for eggs would have been 91% (model 2) of the previous month's value, plus 9% times the 2% assumed steady-state growth (see footnote 8). Analogously, the growth in the inflation trend for chicken would be 95% of the previous month's value (model 4) (Table A), plus 5% times the 2% assumed steady-state growth (see footnote 8). Forecasting with these parameters implies that the shock-free EOP inflation would have reached 0.8% for eggs (Chart D) and 1.3% for

<sup>&</sup>lt;sup>10</sup> Including the month of December 2024 as a shock date breaches that requirement because December 2023 revealed a substantial m-o-m jump. Hence, the December 2024 EOP period partly reflected that base level.

chicken in November 2024. In reality, EOP egg prices rose by 43.6% and chicken by 8.3%, suggesting respective shock sizes of 42.8% and 7.0%, respectively.

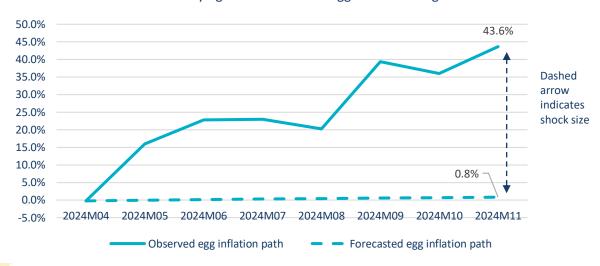


Chart D: Identifying the shock to EOP egg inflation using model 3

Regarding models (1) and (3), the effects of the U.S. agricultural shocks can readily be extracted. In particular, model (1a) shows that the U.S. agricultural shock triggered a 16.2% rise in Aruban egg prices in May 2024 compared to May 2023 and a further 20.6% in September 2024 compared to September 2023. Applying the decaying factor of 91% in model (1a) to the May and September shocks, one produces the inflation shock path for eggs up to November 2024<sup>11</sup>. Subsequently, subtracting the inflation shock path from the observed egg inflation path reveals the shock-free one (Chart A). Notably, in November 2024, the inflation shock amounted to 26.7%, while the observed egg inflation equaled 43.6%, suggesting a shock-free inflation rate of 17.9%.

Model (1b) differentiates from (1a) by considering an additional potential shock to egg inflation rate in November 2024 (as this date meets the two requirements discussed in the previous subsection). While initial regression results point to a 10.6% shock to egg inflation in November 2024, upon further inspection this shock is statistically insignificant at standard confidence levels.

As for chicken, model (3) suggests a 4.9% shock to its EOP inflation in June 2024. Consequently, applying the 95% decaying factor to the 4.9% shock in June 2024 implies a shock of 3.8% by November 2024<sup>12</sup>. Accordingly, the estimated shock size between models (3) and (4) differs by 3.2 percentage points (=7.0%-3.8%). This

<sup>&</sup>lt;sup>11</sup> Specifically, each shock to egg inflation decays geometrically according to  $ShockSize_t = 0.91^k * ShockSize_{t-1}$  where k signifies the number of months after the initial shock at time t.

 $<sup>^{12}</sup>$  Akin to eggs, the shock to chicken inflation decays geometrically according to  $ShockSize_t = 0.95^k * ShockSize_{t-1}$  where k signifies the number of months after the initial shock at time t.

discrepancy arises from how shock sizes are calculated. In model (4), each monthly difference between the observed inflation path and the shock-free path is attributed to the U.S. shock, but other shocks or natural factors may have pushed the observed inflation path upward, bloating the U.S. shock size. Model (3) is less prone to this drawback.

Regarding egg inflation, the shock gap between model (1a) and (2) is larger at 16.1 percentage points (=42.8%-26.7%), primarily because model (1a) excludes the November 2024 shock<sup>13</sup>. In contrast, the forecast for model (2) implies a shock during November 2024. Furthermore, the difference between the observed and forecasted egg inflation is fully owed to the U.S. shock, potentially exaggerating its size. Future research can add other factors that influence inflation to guarantee that the delta between the observed and forecasted inflation rates fully reflects the U.S. agricultural shock.

### Conclusion

In conclusion, while the shock estimating method can be refined further, the event study shows that the Aruban price spike in chicken-related products was (partly) triggered by the U.S. agricultural shock. Bird flu outbreaks, higher feed, and production costs, as well as cage-free egg laws likely contributed to this agricultural shock.

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### 1.6 International Competitiveness

At the end of December 2024, the real exchange rate (RER) fell to 92.8. Thus, the fourth quarter of 2024 marks the sixth consecutive quarter that registered a reduction (Chart 11). The RER's declining trend suggests that Aruba's competitive position against the United States has continued to improve since the third quarter of 2023.

The RER decreased by 0.5 in the fourth quarter of 2024 compared to the third quarter of 2024. The lower RER resulted from the milder average EOP inflation rate in Aruba (0.7%) compared to the United States (2.7%) in

<sup>&</sup>lt;sup>13</sup> If one believes the 10.6% of model (1b), then the egg inflation shock would have totaled 37.3% (=26.7%+10.6%), closer to the 42.8% inferred by model (2).

the fourth quarter of 2024. Similar to Aruba, the U.S. inflation rate is particularly driven by the core and food component, whereas energy prices fell.

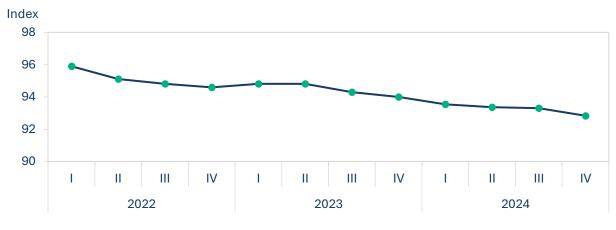


Chart 11: Real exchange rate Aruban florin vis-à-vis the U.S. dollar (2017=100)

Source: CBA

### 1.7 Foreign Trade<sup>14</sup>

## 1.8 Balance of Payments

In 2024, the Balance of Payments (BOP) recorded a record current account surplus of Afl. 715.2 million, reflecting mainly higher net revenue from tourism services (Table 2). Compared to the previous year, the current account surplus represents an expansion in the goods and services account, and a more muted deficit on the income account in 2024. Tourism services was the main driver of this rise, increasing by Afl.576.2 million during the period in review compared to in 2023. On the other hand, outflows related to the import of services widened by Afl. 189.2 million partially offsetting the tourism outcome. Additionally, the imports of goods recorded an Afl. 175.8 million larger deficit further mitigating the expansion in the current account. On the income account, the lower deficit was primarily due to the primary income deficit shrinking by Afl. 159.8 million, mostly as a result of lower private sector dividend outflows. As for the secondary income, the deficit was slightly larger (+ Afl. 3.8 million).

<sup>&</sup>lt;sup>14</sup> At the time of writing complete data for the merchandise trade statistics were not available.

Table 2: Balance of payments (in Afl. million)	2023	2024
Current account	376.2	715.2
Goods	-2,193.0	-2,368.8
Services	3,273.4	3,632.2
Primary income	-564.9	-405.1
Sec <mark>ondary</mark> income	-139.2	-143.0
Capital <mark>account</mark>	-1.0	15.1
Financia <mark>l accoun</mark> t	323.0	632.0
Direct i <mark>nvestm</mark> ent	375.4	-156.5
Portfoli <mark>o invest</mark> ment	293.2	5.1
Financia <mark>l deriva</mark> tives	-0.4	0.7
Other in <mark>vestme</mark> nt	-84.6	125.7
Reserve assets	-260.5	657.0

Source: CBA

During the same period, the financial account registered a growth in net lending, reaching Afl. 632.0 million compared to Afl. 323.0 million a year earlier. The increased net position in net lending was predominantly pushed up by the CBA's reserve assets (2024: Afl. 657.0 million; 2023: -Afl. 260.5 million), which climbed due to an uptick in its long-term debt securities (2024: Afl. 582.9 million; 2023: -Afl. 179.1). In addition, the other investment account also recorded a net lending of Afl. 125.7 million, primarily driven by loan repayments (Afl. 130 million) contributed by both the government and the private sector, and a hike in foreign currency and deposits held abroad by residents which led to a net outflow of Afl. 62.0 million. Furthermore, the direct investment account turned to a net borrowing position of Afl. -156.5 million during the year under review, from a net lending of Afl. 375.4 million in 2023. The former was largely due to net inflows related to debt instruments (Afl. 346.8 million) and real estate in Aruba (Afl. 186.6 million). The latter was mitigated by the resident purchasing of local hotel shares from nonresidents, shifting the equity capital component from a net inflow of Afl. 47.9 million in 2023 to a net outflow of Afl. -298.0 million in 2024. While the portfolio investment component of the financial account continued to register a net lending during the period under review, the magnitude is considerably less to that of the previous period (2024: Afl. 5.1 million; 2023: Afl. 293.2 million). The latter is mainly related to fewer GoA debt repayments in 2024 compared to 2023.

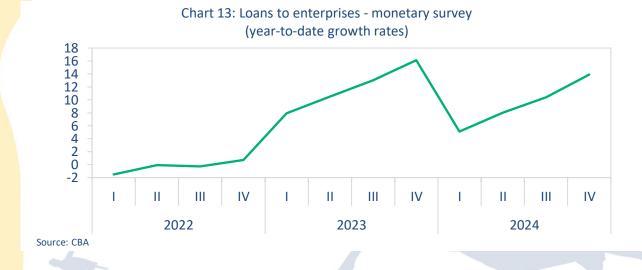
### 1.9 Monetary Survey

At the end of 2024, the money supply reached Afl. 6,224.3 million, an expansion of Afl. 641.3 million, compared to the end of 2023. A boost in net foreign assets (NFA) (+Afl. 472.9 million) to Afl. 3,275.1 million was the primary reason for the broadening of the money supply in the fourth quarter of 2024. Additionally, a rise of Afl. 168.4 million in net domestic assets during 2024 also pushed up money supply. The rise in net domestic assets stemmed from elevated domestic credit (Q4 2023: Afl. 4,062.1 million; Q4 2024: Afl. 4,405.9

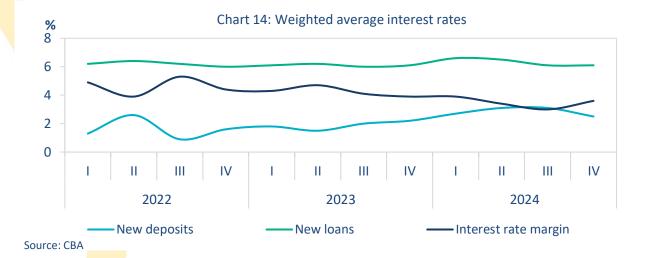
million). Claims on the private sector, in particular loans to enterprises (+ Afl. 244.2 million) and loans to individuals (+Afl.126.3 million) spurred domestic credit. It should be noted that the expansion in business loans was notably driven by a large incidental loan. Housing mortgages played a key role in larger loans to individuals, while consumer credit also went up.

By year-end 2024, official and international reserves (including revaluation differences) significantly exceeded monitored benchmarks and remained more than adequate. Official reserves, benchmarked by the International Monetary Fund's Assessing Reserve Adequacy metric, stood at 130.1% of the required point of reference. Moreover, international reserves covered 7.1 months of current account payments, amply above the CBA's minimum standard of 3 months.

In 2024, claims on the private sector rose (+Afl. 369.3 million; + 9.6%), primarily related to business loans (+Afl. 244.2 million; + 13.9%). A large incidental transaction in term loans >2 years and loans to the real estate sector in commercial mortgages were responsible for the expansion in loans to enterprises (Chart 13). As a result, in 2024 term loans >2 years increased by Afl. 128.6 million (+12.8%), while commercial mortgages jumped by Afl 98.7 million (+15.8%) compared to the previous year. In addition, loans to individuals registered an Afl. 126.4 million (+6.1%) growth, propelled both by housing mortgages (+ Afl. 82.0 million; + 5.1 %) and consumer credit (+Afl. 44.4 million; +10.1 %).



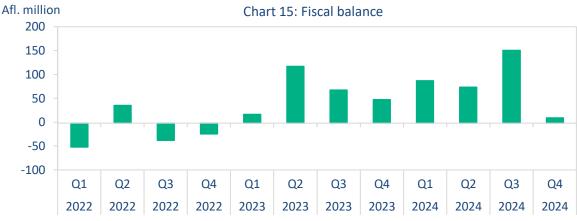
In the fourth quarter of 2024, the quarterly weighted average interest rate margin of the commercial banks fell to 3.6%, down from 3.8% during the same period in 2023 (Chart 14). During 2024, the lower average interest margin resulted mainly from a higher interest rate on deposits (2023-IV: 2.2 %; 2024-IV: 2.5%), while the average interest rate on loans remained virtually unchanged at 6.1% during the corresponding period. The interest rates on deposits rose due to the increase in rates on short-term (<12 months) and long-term (>12 months) time deposits.



The measures of financial soundness stayed positive during 2024. Nonperforming loans to gross loans, an indicator of asset quality, continued to descend – as it has since April 2021 – reaching 1.2% at the end of December 2024, down from 1.7% at year-end 2023. The capital adequacy ratio remained at 32.1%, as at the end of the previous quarter. The latter is amply above the minimum of 16%. As for the prudential liquidity ratio (PLR) – the ratio of liquid assets to total net assets – extended to 30.4%, while the minimum required PLR is 18.0%. Compared to the end of 2023, the PLR was 4.9 percentage points higher at the end of 2024.

### 1.10 Government

At the end of 2024, the government of Aruba (GoA) recorded a financial surplus of Afl. 320.9 million compared to an Afl. 248.3 million surplus during 2023 (Chart 15). The widening of the GoA's financial surplus represents a stronger expansion in government revenues (+Afl. 159.6 million; +9.3%) compared to the growth in the government's expenses (+Afl. 90.7 million; +6.2%).



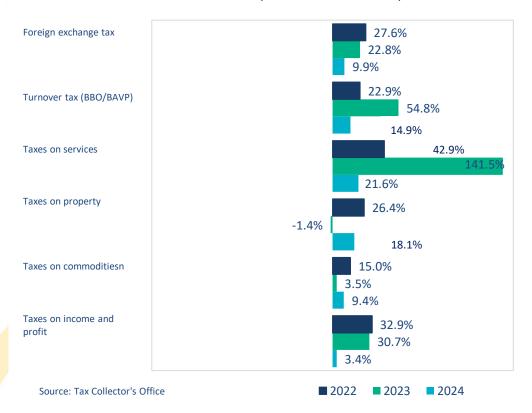
Source: DoF, CBA

During 2024, the overall revenue of the GoA expanded by Afl. 159.6 million (+9.3 %) compared to 2023. Total revenue reached Afl. 1,878.5 million as opposed to Afl. 1,718.9 million in the previous year. Total revenue was mainly pushed up by tax revenue, which surged by Afl. 155.0 million (+10.3 %) during 2024 (Chart 16). The rise was further amplified by higher non-tax revenues (+Afl. 4.7 million; +2.1 %) during the year. The share of government revenues derived from taxes grew to 88.0 % (2023: 87.2 %), while income from non-tax revenue diminished to 12.0 % (2023: 12.8 %) of total government revenues compared to 2023.

In 2024, tax revenue grew to Afl. 1,653.7 million (+10.3 %) from Afl. 1,498.7 million in 2023. All tax revenue components and subcomponents registered upturns except for the income tax (- Afl. 45.2 million; -54.9 %) subcomponent.

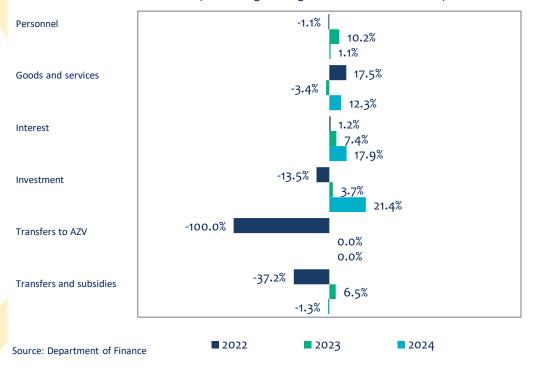
In a record year for tourism performance, several tax revenue components recorded double-digit growth in 2024. Turnover taxes experienced the most significant YoY expansion, with an increase of Afl. 51.2 million (+14.9%), compared to 2023 (Chart 16). Additionally, taxes on commodities also performed well (Afl. +33.7 million; + 9.4 %), primarily pushed up by import duties (+Afl. 22.5 million; +18.2%). The expansions in stayover visitors and domestic consumption likely spurred imports and, thereby, improved import duty revenues. Furthermore, revenues from taxes on property registered a hike of Afl. 22.4 million (+18.1%), also outperforming the previous year. This was driven by the real estate market activity providing more tax revenues from transfer transactions. Moreover, receipts from taxes on services also increased (+ Afl. 24.0 million; + 21.6%), predominantly influenced by the hotel room tax. Although more moderate, foreign exchange tax revenues also registered an upturn (+ Afl. 6.6 million; + 9.9 %) during 2024 compared to 2023.

Chart 16: Tax revenue growth (2024 vs. 2023 vs. 2022)

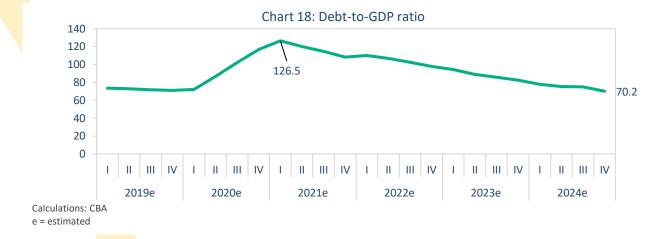


At the end of 2024, government expenditure outlays (on a cash basis) reached Afl. 1,550.0 million, up from Afl. 1,459.3 million at the end of 2023. This development reveals an expansion of Afl. 90.7 million (+6.2 %) compared to the previous year. Most components of expenditures showed an uptick compared to 2023 (Chart 17). Interest payments (+Afl. 47.2 million; +17.8%) and goods and services (+Afl. 37.5 million or +12.2%) recorded the largest growth (Chart 17). Interest payments expanded mainly as a result of the refinancing of the Afl. 915.5 million COVID loan at a high interest rate of 6.9%, which was subsequently lowered to 5.1%. On the other hand, wage subsidies (-Afl. 4.2 million; -3.4%) and transfers and subsidies (-Afl. 3.7 million; -1.3%) inched down.

Chart 17: Government expenditure (Percentage change 2024 vs. 2023 vs. 2022)



In 2024, the GoA's debt-to-GDP ratio reached an estimated 70.2%, after peaking at 126.5% as a result of the COVID-19 crisis loan in 2021 (Chart 18). The level reached in 2024 is lower than pre-pandemic levels of 71.1% registered at the end of 2019. The decrease was partially due to a higher GDP compared to 2019 (Q4 2019: +23.4%) and in part due to GoA's efforts to structurally lower the debt level since the Covid-19 pandemic. The debt level rose leading up to Q1 2022, reaching Afl. 6,013.0 million, and then gradually subsided to Afl. 5,265.1 million at the end of 2024 (-12.4%). Considering the composition of total debt, foreign debt (-16.0%) was the main driver of the drop in debt, although domestic debt (-6.2%) also decreased throughout the period in question.



# 2 International Developments

According to the International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO), estimated global growth reached 3.3% in 2024, largely unchanged from the January 2025 WEO (Table 3). Signs of stabilization emerged throughout 2024, with labor market indicators returning to pre-pandemic levels, and global output approaching potential.

However, based on available information up to April 4, 2025, the IMF revised the 2025 global growth forecast downward, from 3.3% to 2.8%. The downgrades were broad-based across countries and largely reflect the direct effects of the new trade measures initiated by the United States and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment.

The April 2025 WEO maintains a global headline inflation estimate of 5.7% in 2024, unchanged from the January forecast. Persistent inflation remained a concern, particularly in the United States and the euro area, where services inflation was still above pre-COVID-19 levels. Additionally, inflationary pressures persisted in some emerging markets and developing economies in Europe and Latin America, driven by country-specific factors.

For 2025, the IMF projects global headline inflation to decline to 4.3%, slightly above the January expectation of 4.2%. In advanced economies, the inflation forecast for 2025 has been revised upward by 0.4 percentage point since January. Notably, the United Kingdom (+0.7 percentage point revision) and the United States (+1.0 percentage point revision) stand out in their upward adjustments. For the United States, the upward revision reflects recent tariff hikes, sticky inflation in the services sector as well as a recent uptick in core goods inflation. Contrary to the Unites States, the euro area's inflation forecast remains unchanged. As for emerging markets and developing economies, the revisions have been mixed.

The IMF estimates growth in advanced economies at 1.8% for 2024. In particular, the U.S. economy grew (2.8%) stronger than the group average, driven by strong consumption. In contrast, growth in the euro area (0.9%) remained subdued, particularly due to an economic contraction in Germany, spurred by weakness in

manufacturing and exports. Meanwhile, Japan's economy grew mildly (0.1%) due to temporary supply disruptions.

Forecasted growth of advanced economies amounts to 1.4% in 2025, marking a downward revision of 0.5 percentage point compared to the January projection. The U.S. projections lead this downward adjustment, with growth revised downward by 0.9 percentage point to 1.8%. This downward revision results from greater policy uncertainty, trade tensions, and softer consumption growth. Similarly, the euro area faces a downward revision of 0.2 percentage point to 0.8% in 2025, related to tariff implications and rising uncertainty.

According to April 2025 projections, the growth of emerging markets and developing economies reached 4.3% in 2024 and is expected to further drop to 3.7% in 2025. The latter figure represents a 0.5 percentage point downward revision, following the downward revision in China's growth from 4.6% to 4.0%. This downward revision stems from the impact of recently implemented tariffs, which offset the economic momentum of 2024 and fiscal stimulus for 2025.

In Latin America and the Caribbean (LAC), economic growth is estimated at 2.4% in 2024. Brazil's 2024 growth estimate of 3.4% significantly contributed to the group average, occasioned by strong private consumption and investment, which were in turn supported by a tight labor market, government transfers, and minimal disruptions from floods. However, the IMF revised growth in LAC downwards from 2.5% to 2.0% for 2025. The revisions owe largely to a 1.7 percentage points downgrade to Mexico's growth projections, reflecting weaker-than-anticipated activity in late 2024 and early 2025, impact from tariffs, associated uncertainty, and a tightening of financing conditions.

Table 3: Projections for the world economy and selected economies (Real GDP growth, in%)

Indicator	2024e	2025f
World	3.3	2.8
Advanced economies	1.8	1.4
Emerging market and developing economies	4.3	3.7
United States	2.8	1.8
Euro Area	0.9	0.8
Latin America and the Caribbean	2.4	2.0

Source: International Monetary Fund

e = estimate; f = forecast

# 3 Conclusion

In 2024, Aruba's economy, as measured by real Gross Domestic Product (GDP), grew by an estimated 6.8% compared to 2023, lower than the 7.7 percent growth recorded a year earlier. However, when measured by real GDP per capita, growth in 2024 was consistently lower than the overall quarterly GDP growth rates. Tourism, the main driver of economic growth, recorded significant increases in revenue and stay-over visitors. Higher demand for goods and services led to positive consumption indicators.

Throughout 2024, tourism performance remained robust, with the U.S. market leading growth, followed by Latin American markets. The hotel sector mirrored this activity, as growth in stay-over visitors, total visitor nights, and tourism revenue boosted average hotel occupancy rates, average daily rates (ADR), and revenue per available room (RevPar).

On price developments, by the end of 2024, the lowering of electricity tariffs in May 2023, the expired impact of the utility tariff hike from August 2022, and a smaller contribution from food prices led to a significant slowdown in the 12-month average inflation rate to 1.7%, down from 3.4% at the end of 2023. End-of-Period (EoP) inflation also receded to 0.3% from 2.3% at the end of 2023.

With regard to the real exchange rate of the Aruban florin vis-à-vis the U.S. dollar, this fell by 1.2 index points compared to the last quarter of 2023, reaching 92.8. This continued descent reflects sustained improvement in Aruba's competitive position relative to the United States, which began in the second quarter of 2020, although slowed down temporarily in 2023.

In 2024, the Balance of Payments (BOP) recorded a record current account surplus of Afl. 715.2 million, reflecting mainly higher net revenue from tourism services. During the same period, the financial account registered a growth in net lending reaching Afl. 632.0 million compared to Afl. 323.0 million a year earlier. The increased net position in net lending was predominantly pushed up by the CBA's reserve assets. At the end of 2024, international reserves, including revaluation differences, reached Afl. 3,666.3 million, remaining more than adequate according to international benchmarks.

Overall credit picked up in 2024, mainly due to an expansion in business loans, however notably driven by a large incidental loan. Government revenues, excluding non-tax revenue, rose sigificantly in 2024 compared to the same period in 2023. These expanded by 9.3%, benefiting from boosted activity in the tourism sector.

The IMF reported that global growth reached 3.3% in 2024, showing signs of stabilization as labor market measures returned to pre-pandemic levels and global output approached potential. However, based on data available up to April 4, 2025, the IMF lowered the 2025 global growth forecast from 3.3% to 2.8%. The broad-based downgrades stem from the direct impact of new U.S. trade measures, as well as their indirect effects, including trade linkage spillovers, heightened uncertainty, and worsening sentiment.

