

Economic Outlook – External Sector

March 2026

Research and Economic Policy Department





Executive summary

The first quarter of 2025 reported a current account surplus of Afl 534.5 million, while the financial account registered a net outflow of Afl. 197.8 million. This resulted in a balance of payments (BOP) surplus of Afl. 319.1 million¹. The current account surplus shrank compared to the first quarter of the previous year, as a result of higher imports. In contrast, the services account surplus grew slightly compared to the same quarter a year ago, mainly driven by a rise in tourism inflows and mitigated by outgoing service payments. With respect to the financial account, its net outflow decreased considerably compared to the first quarter of 2024, primarily as a result of the direct investment account reversing from a net outflow in the first quarter of 2024 to a net inflow in 2025. The elevated net outflow in 2024 stemmed from an incidental transaction related to the purchase of local hotel shares by residents from non-residents.

Baseline results reveal that the current account and BOP surpluses observed in the first quarter of 2025 are likely to continue in both the short and medium term. Similarly, the CBA projects that the financial account will continue to register net outflows, with this amount being significantly lower in 2027 compared to the other years. In 2027, the CBA expects a large foreign borrowing by the GOA. These BOP developments should ensure that foreign reserves remain adequate in the short term, with the current account coverage ratio hovering between 7.9 and 8.6 months, well above the recommended minimum of 3 months of coverage. Furthermore, forecasted reserves will mostly hover above the upper bound of the IMF ARA metric in the near term. This outlook is based on a baseline scenario, and is therefore subject to both domestic and international risks, such as weak tourism growth, the ongoing trade war, the geopolitical tensions, including that between the United States and Venezuela, higher inflation, tighter labor market conditions, delays in investment projects, and changes in domestic fiscal policy.

¹ Figures presented in this report follow the IMF BPM5 convention.



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1. Introduction

The current 'Economic Outlook (EO) – External sector' presents an update to the BOP projections of the CBA published in February 2025. This outlook contains a discussion of BOP developments up to March 2025, as well as short-term (2025-2026) and medium-term projections (2027-2029).

In the first quarter of 2025, the BOP reported a surplus of Afl. 319.1 million, enabled by a current account surplus of Afl. 534.5 million (Table 1). This current account surplus is largely attributable to strong inflows from tourism services, which grew from Afl. 1,587.0 million in the first quarter of 2024 to Afl. 1,619.6 million a year later.

In addition, deficits in the income accounts shrank, which eased the downward pressure on the current account surplus. The latter was related to both moderating investment income outflows and rising investment income inflows.

However, the services account incurred rising outflows in other services (Afl. 26.2 million). Outlays in other services in turn reflected external payments made by the utilities sector. Furthermore, the expanding deficit in the goods account partially mitigated the current account surplus. In the first quarter of 2025, goods imports grew by Afl. 50.2 million compared to the same period a year ago. This increase partly stems from increased private consumption and import demand, which potentially resulted from growing tourism.

In the first quarter of 2025, the financial account reported a net outflow of Afl. 197.8 million, visibly lower than the first quarter of 2024 (Afl. 386.6 million). A reversal in the direct investment account from a net outflow in the first quarter of 2024 (Afl. 114.5 million) to a net inflow in 2025 (Afl. 60.3 million) was the primary reason for this shift. The change in direct investment resulted from an incidental transaction, in which residents purchased local hotel shares from non-residents in the first quarter of 2024. Furthermore, the net outflow from other investment shrank from Afl. 161.1 million in the first quarter of 2024 to Afl. 119.9 million one year later.



Table 1. Realized balance of payments (in Afl. million)

	2024Q1	2025Q1
Current account	521.8	534.5
Goods	-564.6	-599.7
Services	1,174.0	1,176.5
Primary income	-48.1	-9.9
Secondary income	-39.6	-32.4
Capital account	2.2	6.8
Financial account	-386.6	-197.8
Direct investment	-114.5	60.3
Portfolio investment	-110.6	-134.6
Financial derivatives	-0.4	-3.6
Other investment	-161.1	-119.9
Overall balance	87.8	319.1

Source: CBA

Convention: IMF BPM5

2. External sector developments after March 2025

The results presented in this section reflect the most likely outcomes based on the latest available information² and assumptions of the CBA. In particular, fiscal assumptions adhere to the legislation and budgetary parameters available at the time of forecasting. Therefore, the fiscal assumptions — and other assumptions for that matter — exclude additional policy measures beyond the cutoff date. As such, the outlook should be interpreted as a baseline scenario, subject to the risks outlined later in this report.

In what follows, this section presents the short-term (2025-2026) and medium-term (2027-2029) projections of the BOP and foreign reserves, along with an assessment of associated outlook risks.

2.1 Consecutive BOP surpluses anticipated in 2025 and 2026

The CBA estimates a BOP surplus of Afl. 483.5 million in 2025, followed by a projected surplus of Afl. 457.3 million in 2026 (Table 2). The BOP surpluses stem from consecutive current account surpluses (2025: Afl. 682.7 million, 2026: Afl. 736.4 million), which in turn are spurred by services inflows.

² Cutoff date: December 2025



Specifically, projected service inflows (2025: Afl. 6,191.8 million, 2026: Afl. 6,347.8 million) expand due to increasing tourism inflows.

Table 2. Realized and short-term balance of payments (in Afl. million)

	2024	2025e	2026f
Current account	739.3	682.7	736.4
Goods	-2,376.6	-2,475.8	-2,498.7
Services	3,664.9	3,742.1	3,826.5
Primary income	-405.9	-412.5	-414.8
Secondary income	-143.1	-171.0	-176.6
Capital account	15.1	4.8	5.2
Financial account	-187.5	-191.1	-295.7
Direct investment	153.4	288.4	219.1
Portfolio investment	-32.2	-226.6	-244.1
Financial derivatives	-0.7	-1.1	-9.8
Other investment	-308.0	-251.8	-260.9
Overall balance	473.0	483.5	457.3

Source: CBA

Convention: IMF BPM5

e: estimate, f: forecast

Nevertheless, the expectation of a growing local economy and rising global prices for services induces service payment outflows (2025: Afl. 2,449.7 million, 2026: Afl. 2,521.3 million), such as management fees and IT services. Moreover, higher tourism demand, consumption, and investment push up outflows related to goods imports in 2025 to Afl. 2,783.1 million. In 2026, projected goods imports reach Afl. 2,816.2 million, indicating a modest expansion, as reduced investments instill downward pressure on goods imports. Furthermore, against the background of tourism growth, subsequent higher dividend payments by the private sector will likely encourage outflows in the short term. At the same time, the Government of Aruba's (GOA) interest payments will presumably decline during this period.

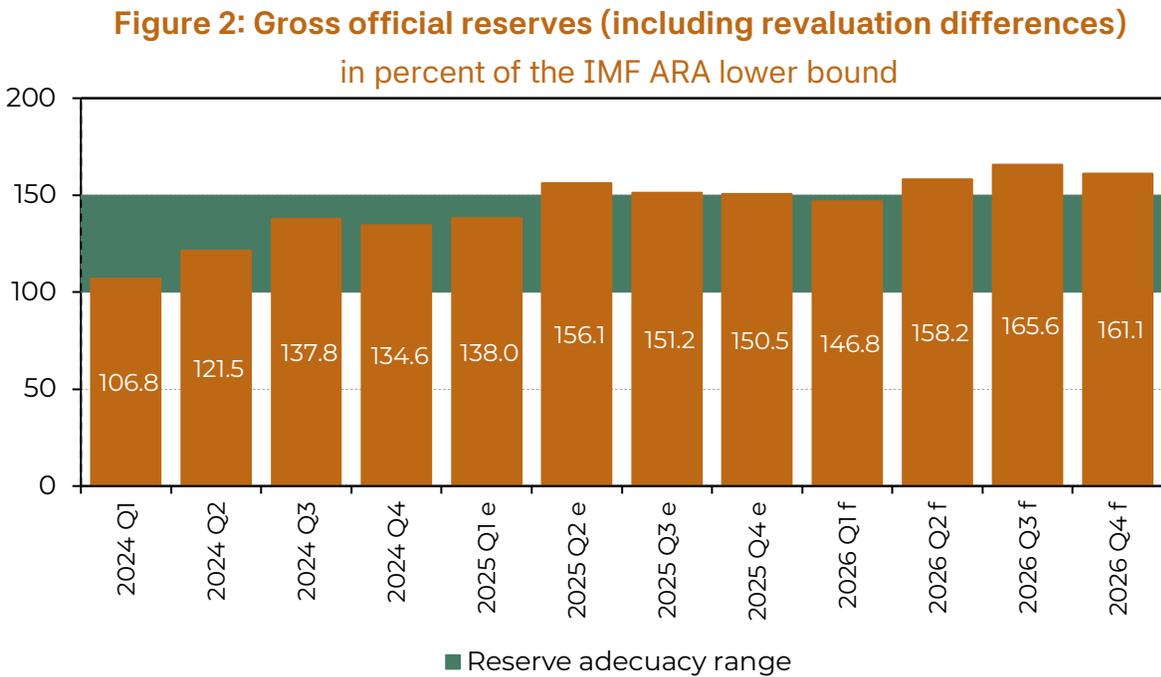
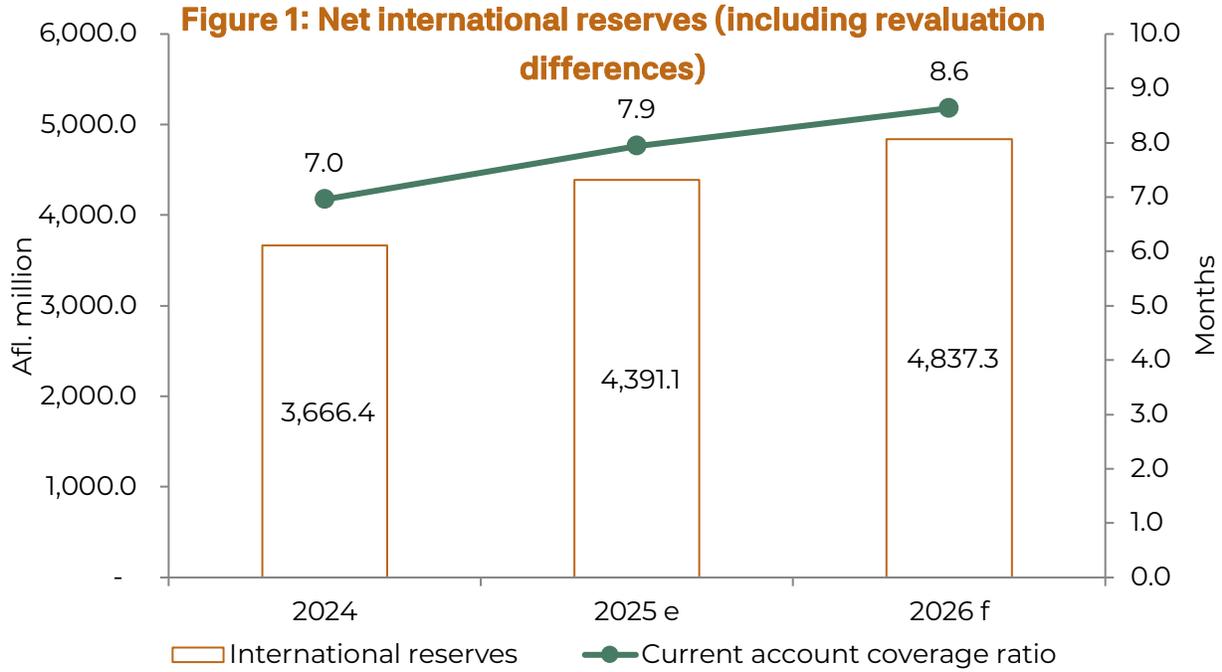
The projected financial account records a net outflow of Afl. 191.1 million in 2025, and a larger net outflow of Afl. 295.7 million in 2026. Specifically, fewer local investment opportunities in 2026 — due to no new large construction projects foreseen in that year — may entice institutional investors to divert their resources externally, leading to more outflows. This assumes that institutional investors in Aruba view local hotel project investments as an alternative to foreign investments. Under this assumption, the CBA expects the net outflow from private portfolio investment to increase



(2025: Afl. 196.4 million, 2026: Afl. 228.3 million). Furthermore, the anticipated reduction in investment activity in 2026 coincides with fewer foreign direct investment in hotels. Consequently, the net inflow to private direct investment contracts from Afl. 288.4 million in 2025 to Afl. 219.1 million in 2026. As for other investments of the private sector, consecutive net outflows are the anticipated outcomes for 2025 (Afl. 206.0 million) and 2026 (Afl. 215.1 million), in line with developments of 2024. This outcome remains likely as long as no short-term shocks materialize. Year-to-date data up to October 2025 from commercial banks further substantiate this expectation.

In both years, the GOA is expected to partially finance its maturing external debt payments with foreign borrowing. Because the GOA's higher external debt repayments are offset by larger foreign borrowings in 2026 than in 2025, its projected net financial account outflows remain broadly similar (2025: Afl. 76.0 million, 2026: Afl. 61.5 million).

Given the forecasted BOP surpluses, international reserves, excluding revaluation differences, climb to Afl. 3,758.7 million in 2025 and to Afl. 4,216.0 million in 2026. We include revaluation differences to assess reserve adequacy. International reserves, including revaluation differences, will likely cover 7.9 months of current account payments in 2025, before rising to 8.6 months in 2026, and thus remaining well above the minimum of 3 months (Figure 1). Furthermore, projected official reserves mostly hover above the upper bound of the IMF ARA metric in the short and medium term (Figure 2).





2.2 Continued BOP surpluses throughout 2027-2029

As tourism inflows advance, elevated current account surpluses drive BOP surpluses in the medium term (Table 1). The financial account net outflows partly mitigate this effect, although to a lesser extent for 2027. In 2027, the CBA expects a large foreign borrowing by the GOA to refinance a sizeable domestic maturing debt.

Table 3. Medium-term balance of payments (in Afl. million)

	2027f	2028f	2029f
Current account	901.1	1,020.5	1,123.3
Capital account	7.4	7.4	7.4
Financial account	-119.3	-721.0	-680.9
Overall balance	800.9	319.0	462.4

Source: CBA

Convention: IMF BPM5

2.3 Despite positive baseline BOP developments, significant risks remain

The BOP results presented in this baseline scenario are subject to various domestic and international risks:

- Geopolitical tensions. A major risk to the baseline BOP results is the geopolitical tension between the United States and Venezuela, with the modalities discussed in the subsequent bullet points.
- Weak tourism growth. Assumed tourism spending per night, which depends on the number of stay-over visitors, their average length of stay, and spending behavior significantly influence the current account inflows. Any shifts in travel, lodging, or spending propensities—potentially triggered by geopolitical tensions—could alter baseline assumptions.
- Inflation. Inflation surges constitute a risk to the import forecast. Factors that potentially conduce to the aforementioned risk include the conflicts between Israel-Hamas and Russia-Ukraine, supply chain disruptions, oil market volatility, possible labor market tightening associated with shortfalls in labor import, as well as extreme weather events that threaten the availability and prices of food items.
- Delay in investment projects. The projected results reflect the CBA's inferences on the timing and construction speed of foreign direct investment projects. These suppositions entail a source of risk to the



financial account inflows. The execution of investment projects may be affected by numerous factors, such as the ongoing geopolitical tension between the United States and Venezuela, the trade war, (perceived) red tape, inflation, labor market conditions, financial market conditions, and the availability of construction materials.

- Unfavorable labor market conditions. The CBA assumes a given volume and timing of labor imports to accommodate the projected growth in tourism, as well as additional room inventory on the island. Furthermore, inflation indexation will likely lead to higher wages. However, any departure from the presumed labor market conditions may affect the ensuing demand for imports.
- Additional government measures. The GOA agreed to increase public sector wages in 2025 to compensate for purchasing power lost during 2018 – 2023. The implementation of additional measures, including the introduction of income-generating or expenditure reducing measures, could impact consumption, and accordingly import demand.
- Severity of trade war. The ongoing trade war continues to disrupt global economies, including that of the United States. Given Aruba's strong dependence on tourism, imports and foreign direct investment from the United States, these external shocks could have significant consequences for the baseline BOP results.

3. Concluding remarks

In the first quarter of 2025, both the current account and BOP reported surpluses of Afl. 534.5 million and Afl. 319.1 million, respectively. The CBA expects this trend to continue in the short term (2025-2026) and medium term (2027-2029). The main source of these surpluses are large tourism inflows, whereas these inflows are primarily mitigated by the import of goods.

In contrast, net outflows for both the short term and medium term are foreseen for the financial account, in line with realized figures for 2024 (Afl. 187.5 million) and the first quarter of 2025 (Afl. 197.8 million). Nonetheless, the CBA projects a significantly lower financial account net outflow for 2027 compared to the other years, assuming the GOA refinances the maturing local debt externally.

Given the forecasted BOP surpluses, the CBA expects the level of foreign reserves to remain adequate in the short term, both in terms of the current account coverage ratio and the IMF ARA metric. Notwithstanding, this outlook is based on a baseline scenario, and remains exposed to various



domestic and international risks. These risks include, among others, weak tourism growth, the ongoing trade war, the current geopolitical tensions between the United States and Venezuela, a surge in inflation, tighter labor market conditions, delays in investment projects, and changes in domestic fiscal policy.



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