



CENTRALE BANK VAN ARUBA

State of the Economy second quarter of 2016

Press release

November 11, 2016

Today the Centrale Bank van Aruba (CBA) publishes the State of the Economy for the second quarter of 2016. This publication provides a synopsis of the local and international economic developments of the first half of 2016. The highlights hereof are presented below, including a summary of main economic indicators.

In the first six months of 2016, the economic activities appeared to have slowed down significantly. Real GDP, as estimated by the CBA, contracted by 1.6 percent due to lower tourism exports, subdued investments, and sluggish domestic consumption.

Tourism income, as registered in the balance of payments, decreased by 1.0 percent, in contrast to a 5.3 percent gain in the same period in 2015. This may be largely related to the reversal in the buoyant trend in the Venezuelan market that was evident in the previous five years.

Consumption fell relative to the year before, as is reflected in the substantial decline in the proceeds from the turnover tax. Moreover, consumers remained pessimistic during the first half of 2016, despite a slight improvement of confidence by the end of June 2016.

The overall price level stayed on a downward path, pushed down further by lower gasoline prices and utility tariffs compared to the same period a year before, resulting in a deflation of 0.6 percent in the 12-month average inflation rate at the end of June 2016. On the upside, the deflation contributed to an improvement in the real effective exchange rate of the Aruban florin relative to the currency of its main trading partner, the United States.

Total government revenue increased by 0.7 percent during the period under review, mainly due to substantially higher proceeds from taxes on income and profit and taxes on property. Intensified efforts by the tax authorities to eliminate the existing backlog contributed to this growth.

Total money supply rose by Afl. 266.3 million end-June 2016 compared to end-December 2015, brought about by a net inflow of foreign funds (Afl. 345.5 million), whereas net domestic assets contracted by Afl. 79.2 million.

Given the economic fundamentals and the adequacy of the current account coverage ratio, which was maintained throughout the period under review, the monetary policy stance of the CBA remained unchanged and the reserve requirement stayed at 11 percent throughout the first half of 2016.

Table: Main economic indicators for the first two quarters of 2016

Indicator	2015 Jan-Jun	2016 Jan-Jun	Change
Real GDP-growth (percent)	0.3	-1.6	-1.9
Stay-over visitors	569,153	576,739	7,586
New business registered at the Chamber of Commerce	680	610	-70
Turnover tax receipts (Afl. million)	48.3	46.5	-1.8
Taxes on income and profit (Afl. million)	234.0	277.8	43.8
Twelve month average rate of inflation (end-of-period, percent)	1.0	-0.6	-1.6
Consumer confidence index (second quarter, index points)	94.8	96.8	2.0
Nonperforming loan ratio (percent)	6.3	4.8	-1.5

Sources: CBA, ATA, CBS, Aruba Chamber of Commerce and Industry.

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

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