



CENTRALE BANK VAN ARUBA

## State of the Economy third quarter of 2016

Press release

April 13, 2017

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

Economic activities in Aruba decelerated in the first nine months of 2016. Lower tourism exports and contracting domestic consumption contributed to this development.

Tourism income, as registered in the balance of payments, decreased by 0.4 percent in contrast to a 3.9 percent gain in the same period in 2015. This decline was likely attributed in large part to the reversal in the buoyant trend in the Venezuelan tourism market evident in the previous five years.

Despite some large ongoing projects such as the expansion and renovation of the Dr. Horacio E. Oduber Hospital and the Green Corridor, investment activities did not really gain momentum, due to the subdued refurbishment activities in the oil refinery.

Consumption statistics were also diverse for the year to date but generally pointed to a further slowdown. Noticeable is that revenue from the turnover tax (BBO) recorded negative growth over the first nine months, while consumer credit, as reported by the commercial banks, contracted further.

As a result of falling energy prices and subdued price developments of food products, inflation was pushed downwards in the first three quarters of 2016. Aruba's real exchange rate relative to that of the United States dropped sharply, i.e., by 1.8 percentage points, in the third quarter of 2016 in comparison to the fourth quarter of 2015, thus improving Aruba's competitive position vis-à-vis the United States.

Total government revenue increased by 2.6 percent during the first nine months of 2016, pushed up by higher proceeds from the profit tax and the land tax. Expenditures grew by 1.4 percent, mostly due to higher interest payments and transfers to the AZV. Total government debt at the end of September 2016 enlarged further to Afl. 4,172.1 million, or an estimated 87.3 percent of Aruba's GDP.

Money supply rose by 6.3 percent in the first nine months of 2016. A net inflow of foreign funds (+Afl. 269.4 million) more than compensated for the Afl. 29.6 million contraction in net domestic assets. The inflow of foreign funds, which is lower than in the corresponding period of 2015, stemmed mostly from higher tourism receipts and government foreign borrowing.

Both the current account and the capital and financial account of the balance of payments registered surpluses, resulting in a significant increase in foreign exchange reserves. Consequently, the import coverage ratio stood at 6.0 months of total current account payments at the end of September 2016.

In summary, domestic economic output appeared to have slowed down in the first nine months of 2016. Tourism activities, the main driver for economic growth, faltered unexpectedly, while local consumers remained cautious in their spending.

**Table: Main economic indicators for the first three quarters of 2016**

Indicator	2015 Jan-Sep	2016 Jan-Sep	Change
Tourism receipts (Afl. million)	2,221.7	2,212.7	-9.0
Stay-over visitors	887,138	849,799	-37,399
Total cement imported (1000 kg.)	35,407	37,732	2,325
Turnover tax receipts (Afl. million)	71.4	69.7	-1.7
Taxes on income and profit (Afl. million)	314.4	374.9	60.5
Twelve month average rate of inflation (end-of-period, percent)	1.1	-1.0	-2.1
Consumer confidence index (third quarter, index points)	94.6	96.0	1.4
Government debt (end-of-period, Afl. million)	3,909.2	4,172.1	262.9

Sources: CBA, ATA, CBS.

The complete publication is available on the CBA's website ([www.cbaruba.org](http://www.cbaruba.org)).

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