



CENTRALE BANK VAN ARUBA

State of the Economy first quarter 2017

Press release

November 1, 2017

Today the Centrale Bank van Aruba (CBA) publishes the State of the Economy for the first quarter of 2017. This publication provides a synopsis of the local and international economic developments of this period. The highlights hereof are presented below, including a summary of main economic indicators.

In the first quarter of 2017, economic indicators pointed towards an initial recovery of the economy with the buoyant development in the tourism sector as the largest driver. Tourism receipts and hotel revenue increased indicating that the expansion in the U.S. market was sufficient to cancel out the negative effects of the collapse of the Venezuelan market. According to the various indicators, private investment gained traction. The imports of base metals, machinery and electrotechnical equipment expanded substantially. In contrast, the number of construction permits granted decreased (-11.8 percent), although the total value of these permits almost doubled (+97.9 percent). Meanwhile, housing mortgages showed a +0.7 percent increase, but commercial mortgages fell by 1.3 percent.

Consumption indicators continued to paint a diverse picture in the first quarter of 2017. Consumer credit recorded a decrease of 2.3 percent in the first quarter compared to December 2016. Tax revenue data on the other hand does seem to point towards consumption growth. The revenues from the turnover tax (BBO) and import duties showed increases of 9.6 percent and 2.9 percent, respectively, in part due to higher collection efforts. The proceeds from excises grew by 48.9 percent fueled by a significant rise on excises on tobacco (due to the pre-purchase of stamps) along with overdue payments related to excises on gasoline. Without these one-time effects, it is estimated that the earnings from excises would still show a substantial growth.

At the end of the first quarter of 2017, the cash-adjusted financial deficit of the government totaled Afl. 93.4 million, financed mainly through a government bond issue on the domestic market. Total government debt amounted to Afl. 4,090.8 million, an increase of Afl. 65.5 million during the quarter under review. As a result, the debt-to-GDP ratio again surpassed the 85 percent mark, reaching 85.4 percent.

In the first quarter of 2017, the balance of payments registered an Afl. 41.7 million surplus compared to an Afl. 103.1 million surplus in the first quarter of 2016. The former surplus was the result of a positive balance on the current account, partially diminished by a deficit in the capital and financial account. Official reserves realized a small growth in the first quarter of 2017 (+Afl. 18.8 million). Consequently, total reserves (including revaluation differences) reached a level of Afl. 1,952.7 million. The import coverage ratio stood at 5.4 months, which is 0.2 months lower than at the end of the first quarter of 2016.

Table: Main economic indicators first quarter of 2017

Indicator	2016 Jan-Mar	2017 Jan-Mar	Change
Tourism receipts (Afl. million)	842.8	872.5	29.7
Stay-over visitors	310,255	263,565	-46,690
Total cement imported (1000 kg.)	15,449	13,639	-1,810
Turnover tax receipts (Afl. million)	23.4	25.6	2.2
Taxes on income and profit (Afl. million)	117.9	76.9	-41.0
Twelve month average rate of inflation (end-of-period, percent)	0.0	-0.7	-0.7
Consumer confidence index (first quarter, index points)	94.5	96.0	1.5
Government debt (end-of-period, Afl. million)	3,952.1	4,090.8	138.7

Sources: CBA, ATA, CBS.

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