CENTRALE BANK VAN ARUBA

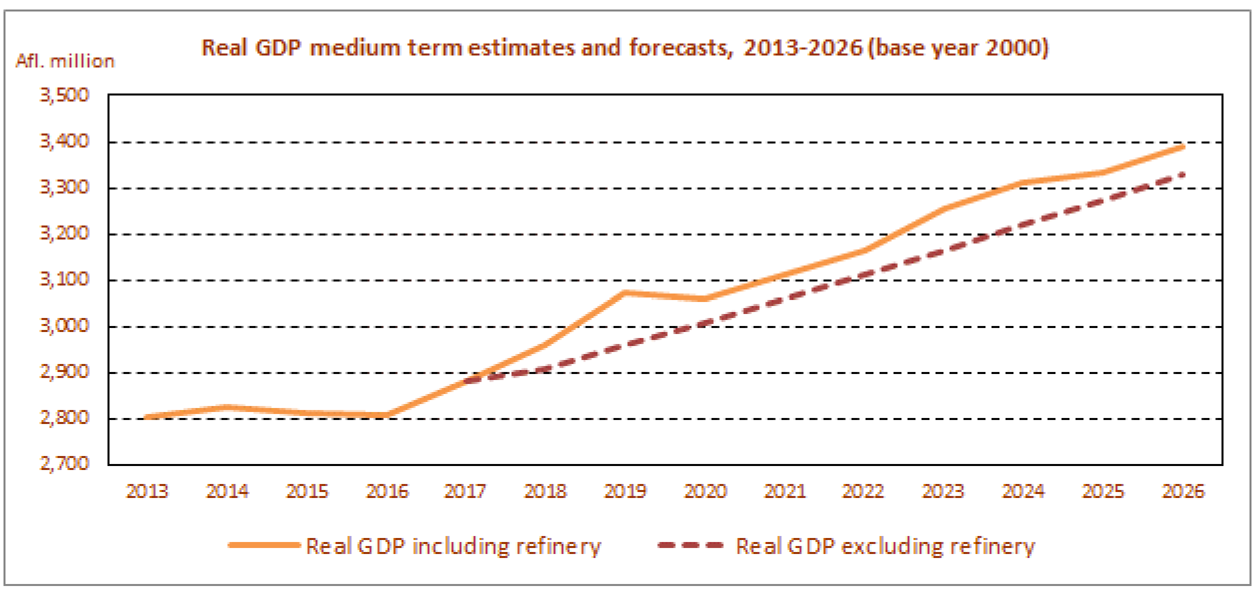
Growth expected in 2018, uncertainty remains in medium term

Press release

December 8, 2017

Today the Centrale Bank van Aruba (CBA) publishes both the Economic Outlook 2018 and the State of the Economy for the first two quarters of 2017. The highlights hereof are presented below.

Following two consecutive years of economic contraction, the Aruban economy is set to resume growth for 2017 and 2018 expanding by, respectively, 2.6 percent and 2.7 percent in real terms. Tourism service exports are the main driver of economic growth. Nevertheless, a key precondition for realizing growth is the (timely) execution of the upgrade of the refinery, as well as other large planned investment projects. Execution of the refinery project is expected to result in the medium term in a higher level of gross domestic project (GDP), but with limited annual growth in domestic output. However, there is still considerable uncertainty surrounding this project.



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The expected growth is based, inter alia, on the tourism-induced recovery during 2017. Tourism figures improved in the first six months with growth in tourism receipts and expansions in the North American and the (non-Venezuelan) Latin American markets. Aruba's tourism performance also stands favorably compared to its competitors in the Caribbean, when excluding the Venezuelan market.

Private investment accelerated in the first two quarters of 2017. The business perception index showed a remarkable growth in the second quarter of 2017, indicating that there is a growing confidence in the Aruban economy. Consumption indicators suggest that the level of consumption picked up in the second quarter of the year, yet remains subdued.

Total government revenue decreased by 0.8 percent in the first two quarters of 2017 while total government expenditure (cash adjusted) declined by 1.1 percent compared to the same period in 2016. Government debt amounted to Afl. 4,188,6 million, an increase of Afl. 163.3 million in the half year under review, thereby raising the debt-to-GDP ratio to an unprecedented 87.7 percent.

Money supply decreased by 0.8 percent to Afl. 4,134.2 million in June 2017 compared to December 2016. Domestic credit extended by the monetary sector expanded by 0.3 percent carried by a 2.1 percent increase in housing mortgages. The weighted average quarterly interest rate on new loans declined significantly to 6.4 percent, reflecting mainly lower interest rates on commercial loans. Consequently, the interest rate margin decreased to 5.0 percent, the lowest quarterly margin recorded since 1998.

The current account of the balance of payments registered an Afl. 170.6 million surplus in the first two quarters of 2017, related to strong inflows from tourism. The deficit in the capital and financial account, at the height of Afl. 151.3 million was due mainly to low incoming foreign direct investment as well as net outflows in the portfolio investment account.

Official reserves declined by Afl. 11.8 million compared to end-2016. Consequently, total foreign assets reserves (including revaluation differences) reached Afl. 1,917.9 million. The import coverage ratio stood at 5.5 months, which is 0.2 months lower than at the end of 2016.

Table: Main economic indicators first two quarters of 2017

Indicator	2016 Jan-Jun	2017 Jan-Jun	Change
Hotel revenue per available room (US$)	197.12	218.14	21.02
Stay-over visitors (numbers)	576,739	526,743	−49,996
Cruise visitors (numbers)	376,337	435,137	58,800
Business perception index (second quarter, index points)	100.2	104.6	3.8
Imports of machinery and electrotechnical equipment (Afl. million)	130.4	145.0	14.6
Turnover tax receipts (Afl. million)	46.5	52.3	5.8
Taxes on income and profit (Afl. million)	280.7	244.3	−36.4
Twelve-month average rate of inflation (percent)	−0.6	−0.4	0.2
Consumer confidence index (second quarter, index points)	96.8	94.4	−2.4

Sources: CBA, ATA, CBS.

Both publications are available on the CBA's website (www.cbaruba.org).