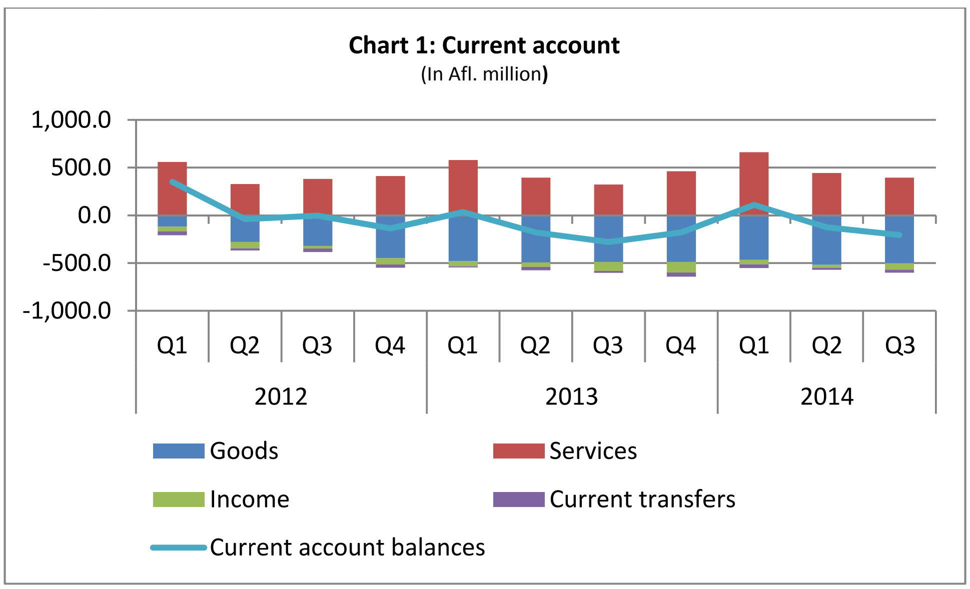
CENTRALE BANK VAN ARUBA

Statistical News Release

Date: February 10, 2015

Balance of payments developments: the deficit on the current account remains considerable.

The balance of payments current account ended in the third quarter of 2014 with an Afl. 206.3 million deficit. As in the previous year, the negative balance exceeded that of the preceding quarter. Compared to the corresponding quarter of 2013, there was an Afl. 72.7 million contraction in the current account deficit (Chart 1). This improvement was driven by a higher surplus on the services account and a decrease in the deficit on the income account, which were partially offset by expansions in the deficits on the goods and current transfers accounts.



Source: Centrale Bank van Aruba

The services account surplus expanded by Afl. 71.6 million to Afl. 394.4 million in the quarter under review, compared to the same quarter of 2013. This expansion was brought about by transactions of both the oil and the non-oil sector. The surplus on the services account of the non-oil sector rose by Afl. 60.0 million to Afl. 386.5 million, as receipts from export of services grew by Afl. 81.5 million to Afl. 822.7 million, due mainly to a 12.7 percent rise in gross tourism receipts. Payments for the non-oil sector's import of services increased by Afl. 21.6 million to Afl. 436.3 million, mainly associated with professional and technical services. In addition, the Afl. 3.7 million deficit on the services account of the oil sector in the third quarter of 2013 turned into a surplus of Afl. 7.9 million in the quarter under review. This turnaround was largely brought about by the transshipment activities of this sector.

The income account deficit dropped by Afl. 26.5 million to Afl. 66.6 million, mainly as a result of an Afl. 27.0 million contraction in income payments. The decline in income payments was largely attributed to transactions of the non-oil sector, due to lower interest payments on intercompany loans and dividend payments to nonresidents, which were partially offset by an expansion in interest payments on government bonds. The current transfers account deficit augmented by Afl. 12.5 million to Afl. 32.2 million, resulting from an Afl. 6.9 million drop in current transfers receipts and an Afl. 5.6 million rise in current transfers payments.

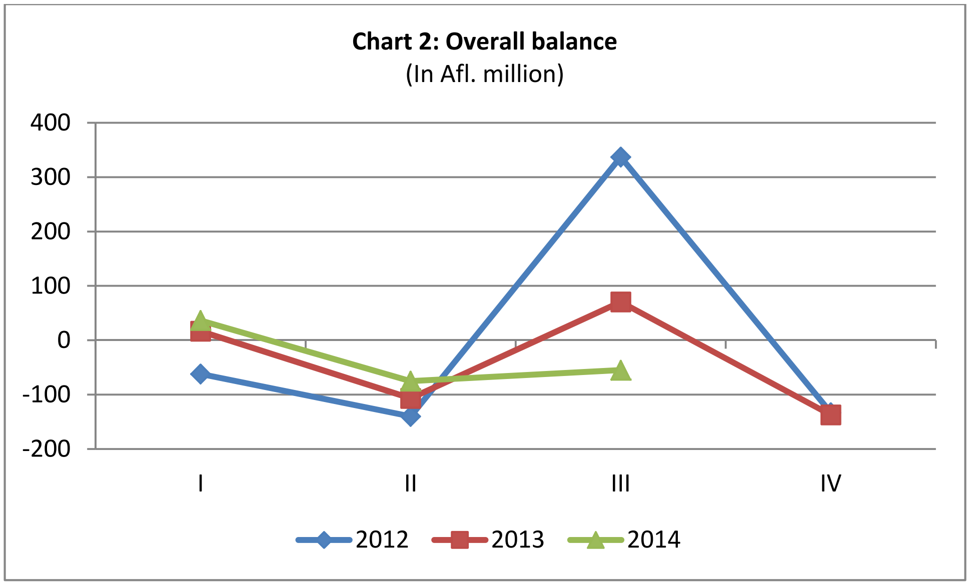
The goods account recorded an Afl. 501.8 million deficit in the quarter under review, Afl. 12.8 million higher than in the corresponding quarter of 2013. This deterioration in the trade balance was caused by an Afl. 39.1 million expansion in the goods account deficit of the oil sector associated with increased imports of oil related products. On the other hand, the deficit on the goods account of the non-oil sector shrank by Afl. 26.2 million to Afl. 366.3 million. The latter was attributed to decreases in both import payments and export receipts of, respectively, Afl. 37.3 million (8.0 percent) and Afl. 11.0 million (19.0 percent). These contractions were mainly caused by decreased trade activities in the free zone sector, in particular because of lower demand from Colombia, driven by the depreciation of the Colombian peso.

The capital and financial account surplus fell by Afl. 187.9 million to Afl. 158.0 million, compared to the same quarter of 2013. This notable decline was largely brought about by transactions of the non-oil sector. Its financial account net inflow declined by Afl. 252.6 million to Afl. 90.1 million, resulting from portfolio and direct investment related transactions.

Portfolio investment of the non-oil sector turned from an Afl. 244.5 million net inflow in the third quarter of 2013 into an Afl. 12.3 million net outflow in the quarter under review, largely associated with Afl. 340.4 million lower receipts from the issuance of government bonds, which was partially offset by Afl. 103.2 million fewer repayments on matured bonds. The direct investment net inflow of this sector contracted by Afl. 38.8 million to Afl. 84.4 million, brought about by lower intercompany loans received. On the other hand, other investment of the non-oil sector showed an Afl. 17.3 million net inflow in the third quarter of 2014, compared to Afl. 24.6 million net outflow in the corresponding quarter of 2013, due mostly to higher loans received from nonresidents.

The oil sector's financial account recorded a net inflow of Afl. 66.4 million in the quarter under review, compared to a net outflow of Afl. 0.8 million in the third quarter of 2013. This turnaround was mainly caused by intercompany trade credits received from nonresident affiliates of this sector.

The overall balance of payments turned from an Afl. 70.5 million surplus in the third quarter of 2013 into an Afl. 55.0 million deficit in the quarter under review (Chart 2), resulting from an Afl. 64.5 million net purchase of foreign exchange by the oil sector from the commercial banks, partially offset by an Afl. 9.5 million net sale of foreign exchange by the non-oil sector to the banking sector.



Source: Centrale Bank van Aruba