



CENTRALE BANK VAN ARUBA

# Economic Snapshot

The current GDP outlook for Aruba in  
the face of COVID-19.

December 2020





# General Information

The Centrale Bank van Aruba (CBA), recently, updated its economic forecasts for 2020 based upon perceived economic developments and available data up to and including October 2020. In 2020, the main economic activity, being tourism, contracted significantly. Compared to 2019, a drop of 70.0 percent in stay-over visitors is estimated for the year 2020, which would likely conduce to a 56.6 percent fall in tourism revenue.

In addition, the CBA performed its first projections for 2021. Considering the persistence of significant uncertainty in 2021 how the COVID-19 pandemic would further evolve, a baseline scenario is presented, based on assumptions of the most likely developments regarding various important economic aggregates. In the baseline scenario, tourism is expected to continue its path to further betterment during 2021. At end-2021, total stay-over visitors are projected to reach 60.0 percent of the 2019 level, resulting in a gain of 14.4 percent in tourism revenue. In addition to the baseline scenario, both a pessimistic and optimistic scenario are included. The pessimistic and optimistic scenarios deviate from the baseline in terms of the speed of the tourism recovery. The latter impacts consumption, investment, and import and export levels.

The presented Economic Snapshot includes key highlights of the economic forecasts for 2020 and 2021. Detailed information will be provided in the CBA's Economic Outlook report, which will be published at a later date.

*This document includes estimates and forecasts that represent assumptions and expectations of the Centrale Bank van Aruba considering the information available up to and including October 15. These estimates and forecasts involve uncertainties. Therefore, the actual results may differ from those estimated and projected in this document. Consequently, no guarantee is presented or implied as to the accuracy of specific estimates and forecasts contained herein. The Centrale Bank van Aruba does not assume any liability for any loss that may result from reliance on this information.*



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# Executive Summary



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**In 2020, Aruba experienced a significant economic contraction; real Gross Domestic Product (GDP) is estimated to have crumbled by 26.4 percent.** The economic slump in 2020 follows a steep decline in tourism activity, private consumption, and investments, triggered by the Covid-19 pandemic and the measures taken by the government of Aruba (GoA) to contain its spread.

**The near-term economic outlook remains uncertain. For the year 2021, the CBA made its first projections, in which the results are highly dependent on the depth and length of the pandemic and the strength of the tourism recovery.** The main driver of the resumption in economic activities in 2021 would be an improved performance in the tourism sector, as it is expected to remain on the gradual path to resurgence. Nonetheless, tourism related activities are foreseen to remain well below 2019-levels in all scenarios. Real GDP is anticipated to grow by 2.5 percent under the baseline scenario, and 5.2 percent in the optimistic scenario, but would shrink further, i.e., by 3.4 percent in the pessimistic scenario.

# Private Consumption



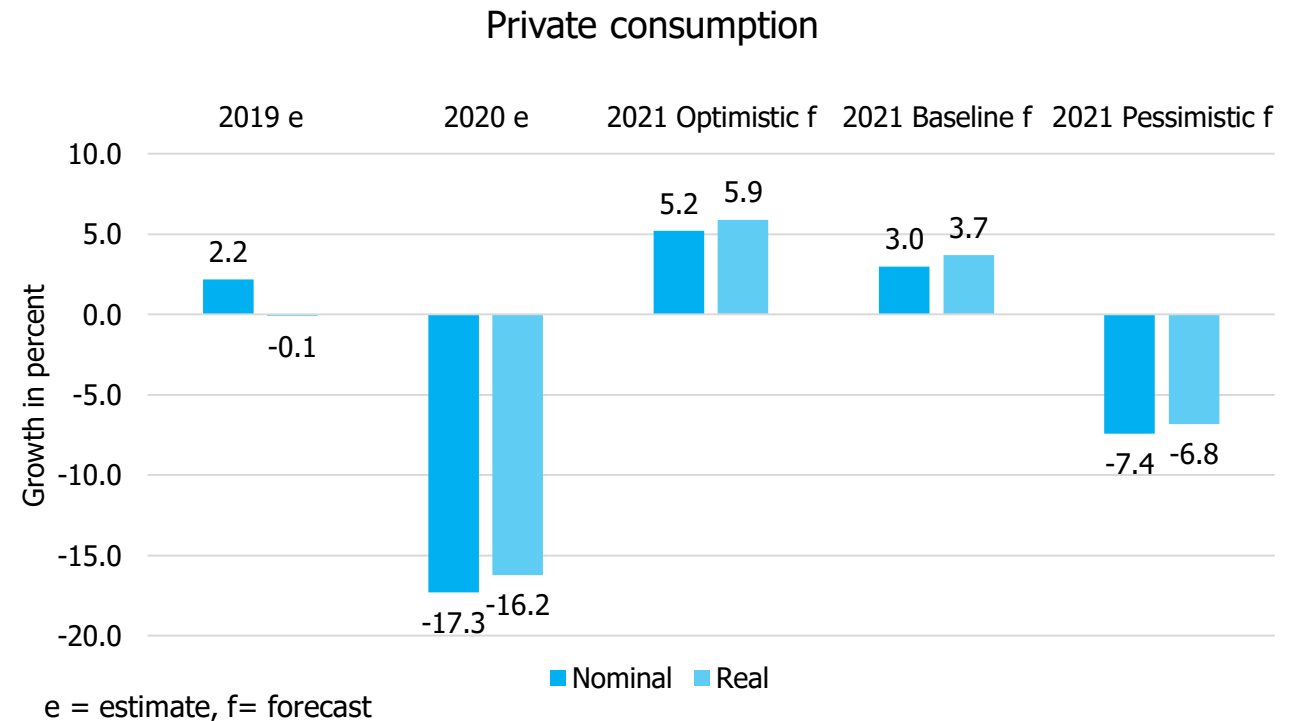
**Private consumption has been directly impacted by the COVID-19 crisis in 2020.** In real terms, private consumption is estimated to have receded by 16.2 percent in 2020, reflecting the decline in disposable income due to job losses and wage reductions.

**For 2021, the outcome of private consumption is mainly dependent on the speed of recovery of the tourism sector.** The latter is expected to affect private consumption through movements in unemployment and disposable income. The government wage assistance program (wage subsidy) is presumed to continue under all scenarios of 2021 with exception of the pessimistic scenario. Depending on the strength of the tourism recovery, growth in real private consumption is expected to hover between -6.8 percent and 5.9 percent.



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## Results



# Public Consumption



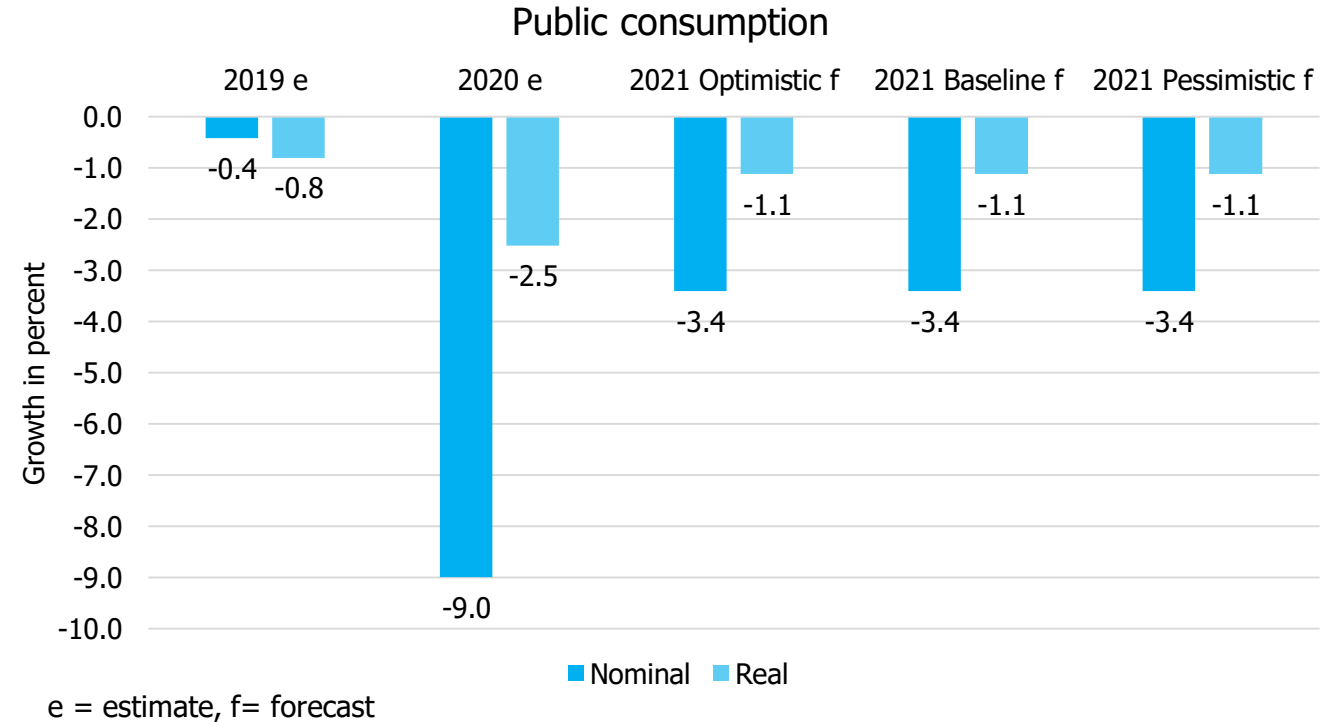
**Public consumption is estimated to have slackened by 2.5 percent in real terms in 2020.** This reduction is primarily led by lower expenditures related to acquisition of goods and services and mandatory reduction of health outlays by the AZV.

**The anticipated public consumption is the same under all scenarios for 2021 and is expected to contract by 1.1 percent in real terms.** The projected decrease follows the continued reduction in the GoA expenditure on goods and services.

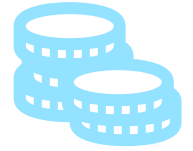


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## Results



# Investment



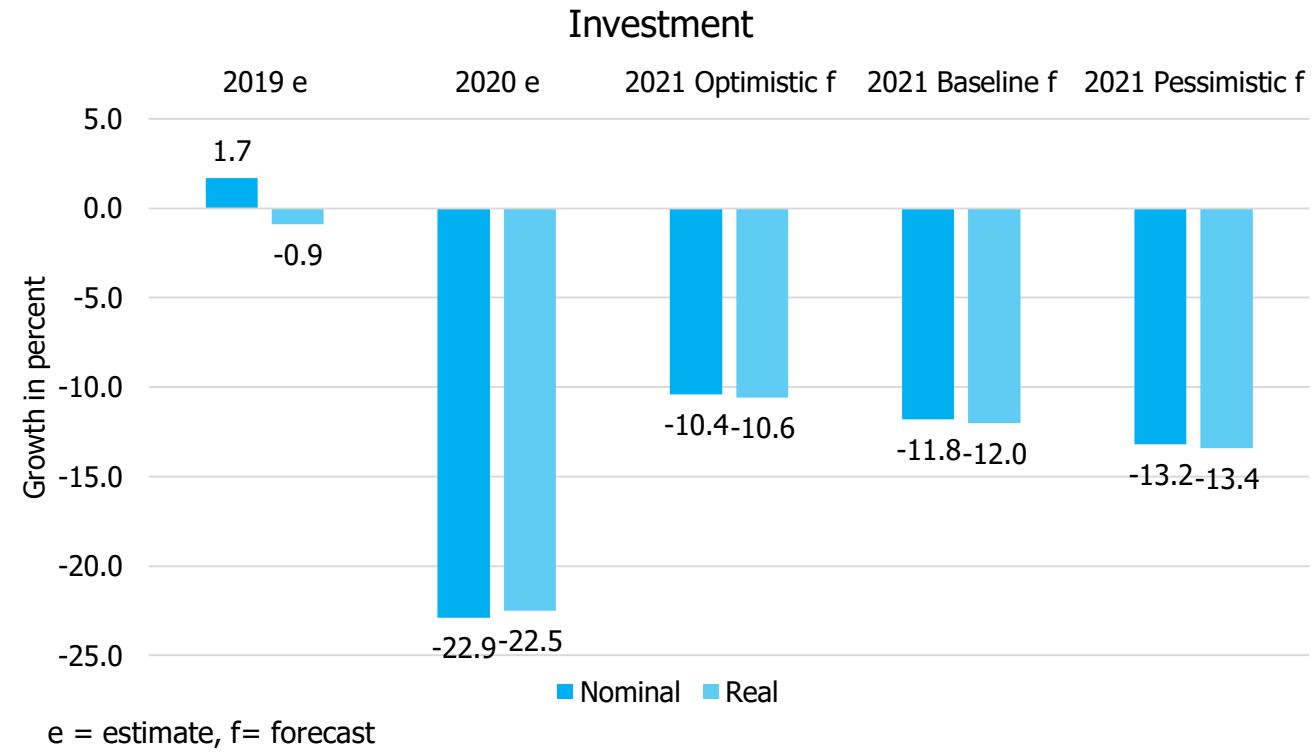
**Real total investment is estimated to have dropped by 22.5 percent in 2020, as a result of the shelter-in-place measures taken by the GoA and delays in large construction projects already under implementation.** In addition, various large projects that were projected to start in 2020, such as the WEB's RECIP project and AAA's Gateway 2030 were postponed.

**For 2021, persisting high uncertainties related to COVID-19 developments are anticipated to continue to dampen the investment appetite.** Based on currently available information, no major new projects are expected to start in 2021. It is assumed that most delayed and/or postponed construction projects from 2020 will resume in 2021, however the pace of construction projects varies per scenario. As a result, the continued shrinkage in real total investment is forecasted to reach between -13.4 percent and -10.6 percent in 2021.



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## Results

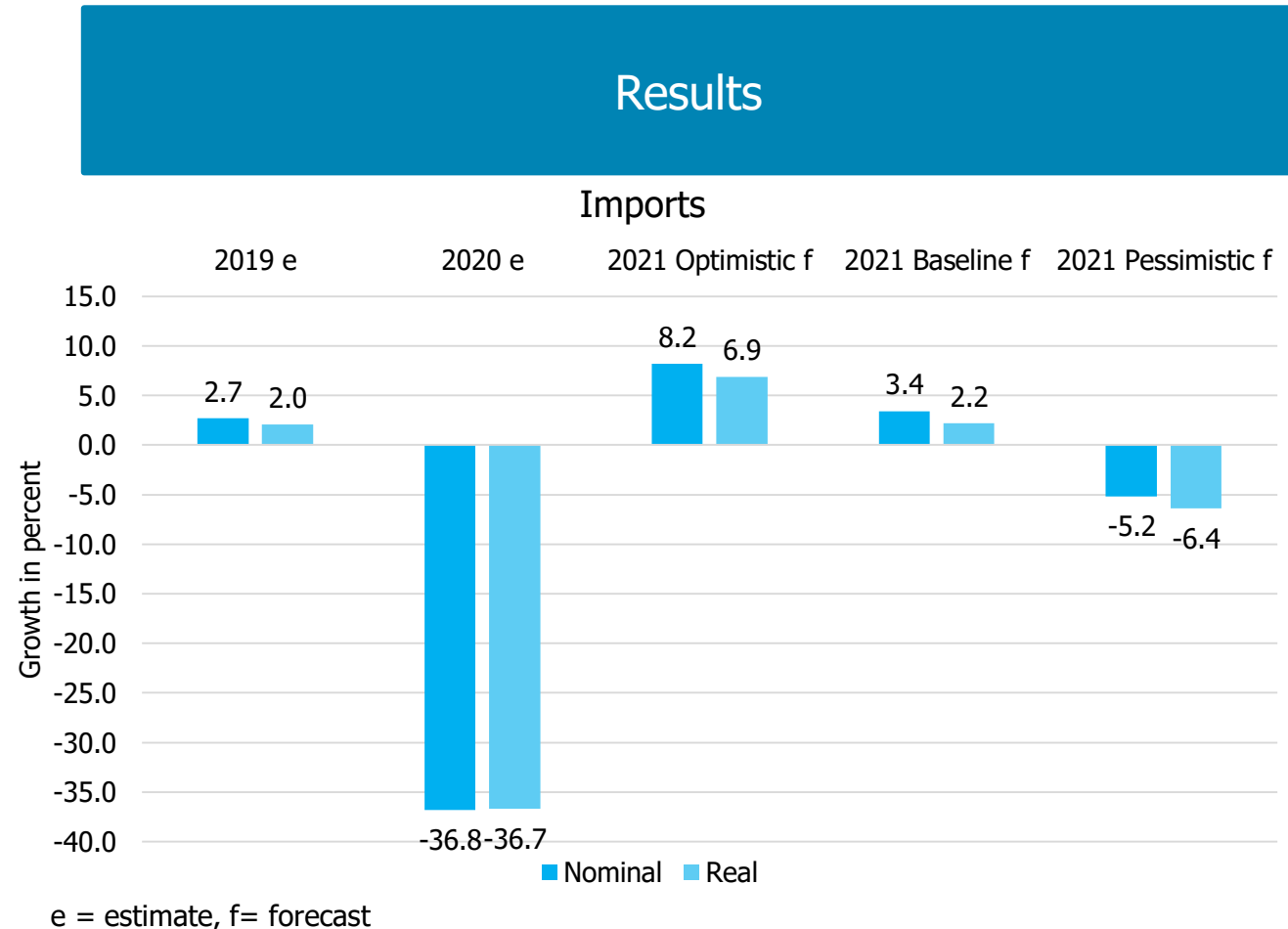


# Imports



**In 2020, imports of goods and services lessened by an estimated 36.7 percent in real terms.** The sharp decline in imports is the direct consequence of the slow-down in tourism services exports, consumption, and investment caused by the pandemic.

**For 2021, based upon the three scenarios, imports is expected to shift between a further weakening of -6.4 percent and an upswing of 6.9 percent in real terms.** Under the baseline and the optimistic scenario, imports are projected to increase following the gradual recovery within the tourism sector and the subsequent uptick in private consumption. The latter is partially mitigated by expected further abatement in investments. The pessimistic scenario foresees a negative growth in imports, which is the result of contractions in consumption and investment, due to the slower recovery in tourism.



# Exports



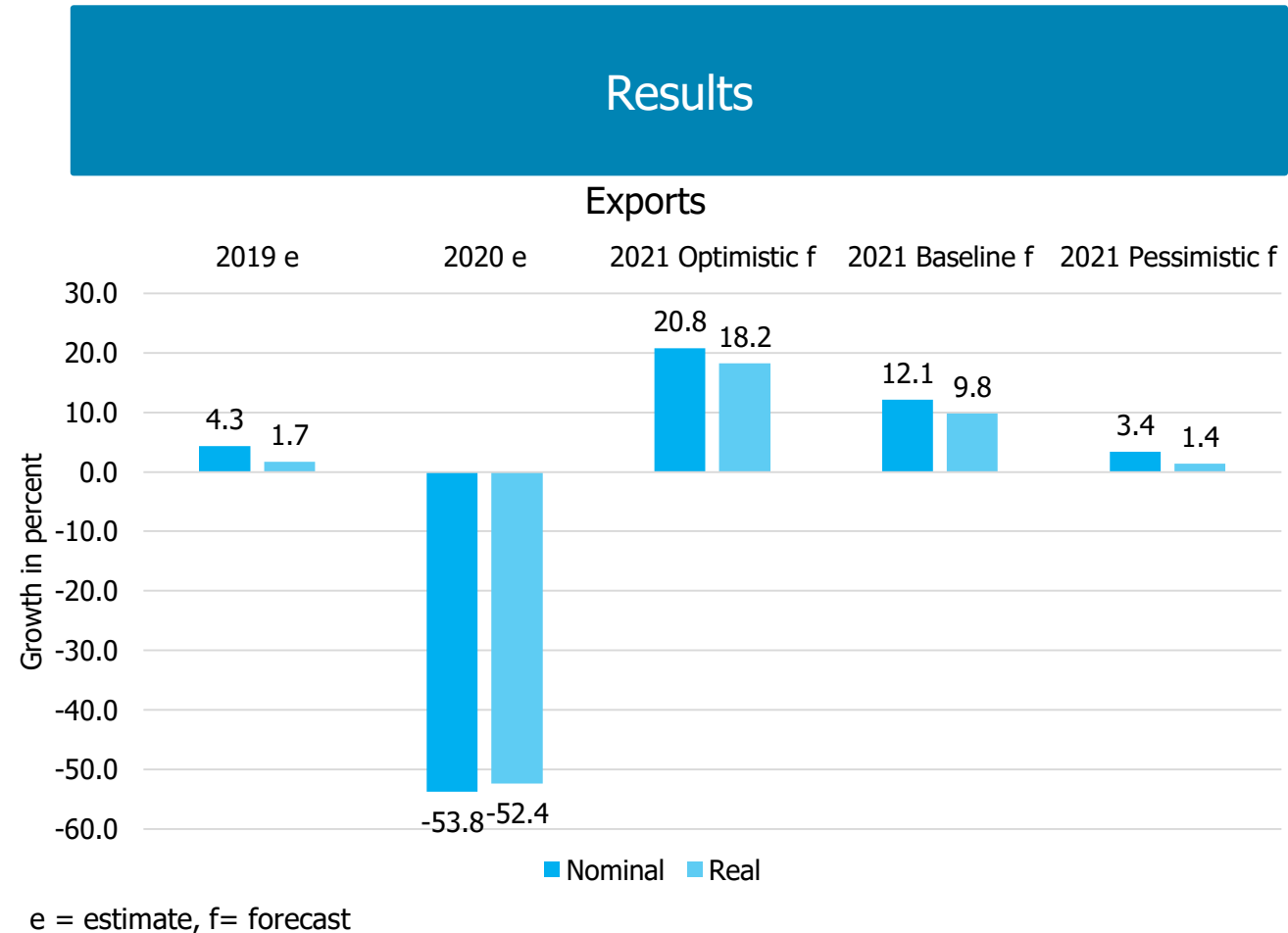
**In 2020, exports of goods and services are estimated to have declined by 52.4 percent in real terms.** Exports bore the brunt of the severe fall in tourism activity as a result of both domestic and international measures to limit the spread of COVID-19, which significantly impacted tourism travel world-wide.

**How exports would bounce back in 2021 is mostly determined by the recovery of the tourism sector.**

Depending on which scenario plays out, exports are predicted to grow between 1.4 percent and 18.2 percent in real terms in 2021.

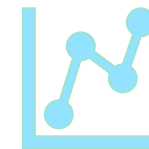


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# GDP including Scenarios



Scenario	2019 e	2020 e	2021 o f	2021 b f	2021 p f
<i>Percentage change</i>					
Nominal GDP	<b>2.7</b>	<b>-29.5</b>	<b>5.0</b>	<b>2.2</b>	<b>-3.7</b>
Nominal Total Consumption	1.4	-15.0	2.6	1.0	-6.2
Nominal Private Consumption	2.2	-17.3	5.2	3.0	-7.4
Nominal Public Consumption	-0.4	-9.0	-3.4	-3.4	-3.4
Nominal Total Investment	1.7	-22.9	-10.4	-11.8	-13.2
Nominal Private Investment	4.5	-20.7	-10.4	-11.8	-13.2
Nominal Public Investment	-45.5	-94.3	0.0	0.0	0.0
Nominal Imports	2.7	-36.8	8.2	3.4	-5.2
Nominal Total Exports	4.3	-53.8	20.8	12.1	3.4
Nominal Tourism Exports	5.2	-56.6	24.4	14.4	4.4
Nominal Other exports	1.2	-43.4	10.6	5.6	0.6
e = estimate, f= forecast, o = optimistic, b = baseline, p = pessimistic					

Scenario	2019 e	2020 e	2021 o f	2021 f	2021 p f
<i>Percentage change</i>					
Real GDP	<b>-0.7</b>	<b>-26.4</b>	<b>5.2</b>	<b>2.5</b>	<b>-3.4</b>
Real Total Consumption	-0.3	-12.9	4.0	2.4	-5.2
Real Private Consumption	-0.1	-16.2	5.9	3.7	-6.8
Real Public Consumption	-0.8	-2.5	-1.1	-1.1	-1.1
Real Total Investment	-0.9	-22.5	-10.6	-12.0	-13.4
Real Private Investment	1.7	-20.3	-10.7	-12.0	-13.4
Real Public Investment	-46.9	-94.3	-0.3	-0.3	-0.3
Real Imports	2.0	-36.7	6.9	2.2	-6.4
Real Total Exports	1.7	-52.4	18.2	9.8	1.4
Real Tourism Exports	2.7	-54.6	21.1	11.4	1.6
Real Other exports	-1.1	-45.6	10.8	5.8	0.8
e = estimate, f= forecast, o = optimistic, b = baseline, p = pessimistic					



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# Concluding Remarks

**As a result of the COVID-19 pandemic and the drastic measures taken to contain the spread of the virus, real GDP is estimated to have slumped by 26.4 percent in 2020.** Uncertainties related to how the pandemic will further evolve in the coming year are expected to persist, leading to a gradual tourism recovery in 2021. Depending on the pace hereof, as outlined in the three scenarios used by the CBA, the real GDP could narrow again to -3.4 percent and pick-up to 5.2 percent in 2021.

The main assumptions and risks to this outlook are: the depth and duration of the pandemic, uncertainty related to investment projects, volatility in oil prices and other import prices, tourism resurgence, government measures to cope with the crisis, and employment restoration.



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FOR MORE INFORMATION,  
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**Economic Outlook**

*The current economic outlook for  
Aruba in the face of COVID-19*

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Centrale Bank van Aruba  
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