lac

STATE OF THE ECONOMY

2019

ABSTRACT

In 2019, Aruba's economy, despite tourism buoyancy, contracted by 0.7 percent in real terms primarily due to lackluster consumption. While Aruba's tourism sector performed well, with increased tourism credits, revenue per available room and cruise passengers, real output remained lackluster. Most of the investment indicators pointed towards an expansion of investment activities. Several consumption indicators pointed to weak consumption during 2019. Imports registered growth, with import of machinery and electrotechnical equipment and base metals and derivated works showing the largest uptick.

Centrale Bank van Aruba

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I. Domestic developments[1]

Economic growth (summary)

In real terms, Aruba's economy is estimated to have contracted by 0.7 percent in real terms in 2019 (2018: +0.9 percent), according to the latest Economic Outlook publication of the Centrale Bank van Aruba (CBA). The slow-down in economic output was mostly driven by lower consumption, shrinking by an estimated 0.3 percent in real terms. Inbound tourism activities were buoyant, pushing up exports of services, while investment picked up.

Tourism

In 2019, Aruba's tourism sector performed well. Data on stay-over visitors (both including and excluding Venezuela) and average length of stay are available up to October 2019, showing a 4.1 percent increase in stay-over visitors while the average length of stay remained relatively flat. Notable is the increase in market share of the U.S. market (+6.9 percent) and the continued slump in the Venezuelan market share (-70.0 percent). Although inbound visitors continued to expand, growth in tourism credits slowed down to 3.2 percent during 2019, down from 9.4 percent in the previous year.

[1] The cut-off date for information published in this State of the Economy is April 24, 2020.

All indicators from the Aruba Hotel and Tourism Association (AHATA) showed positive results for the hotel sector. Average hotel occupancy, the average daily rate (ADR), and the average revenue per available room (RevPAR) grew compared to the same period of the previous year, by 0.9 percentage point, 6.2 percent and 7.5 percent, respectively.

A total of 324 cruise ships entered Aruba's harbor during 2019. This was a decrease of 10 ships (-3.0 percent) compared to 2018. However, the amount of cruise passenger registered an upturn from 815,161 passengers in 2018 to 832,001 at end-December 2019 (+2.1 percent).

Table 1: Tourism indicators for Aruba (YTD December 2019 vs. YTD December 2018)

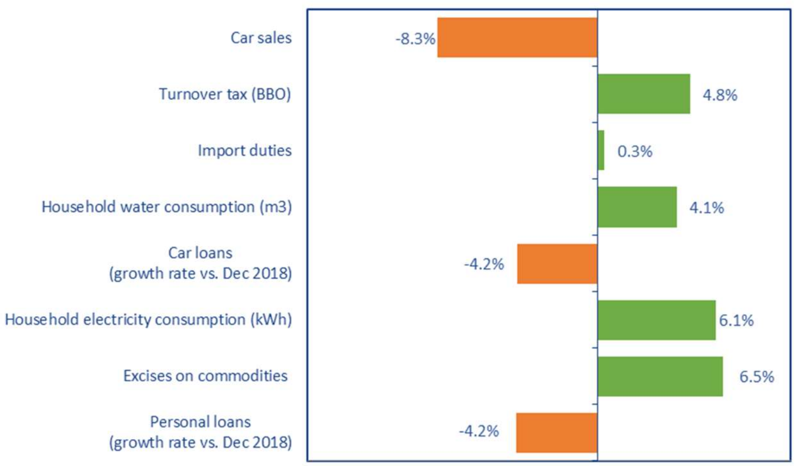
Indicator	Aruba	
	2018	2019
Stay-over visitors (growth)*	1.3	4.1
excl. Venezuela*	6.3	7.4
Average length of stay (days)*	7.4	7.3
Cruise visitors (growth)	2.9	2.1
Hotel occupancy (%)	83.9	84.8
Average daily rate (US$)	260	276
Revenue per available room (RevPAR) (US$)	218	234
Tourism credits (growth)	9.4	3.2

Sources: ATA, AHATA, APA, CTO, STR

Consumption

Real consumption is estimated to have contracted by 0.3 percent in 2019. Data from the Tax Department showed increases in revenues collected; 50.6 percent in turnover tax, 0.3 percent in import duties, and 6.5 percent in excises on commodities. The growth in turnover tax was caused largely by the introduction of the levy "Belasting additionele voorzieningen PPS-projecten" (BAVP) on July 1, 2018. Excluding the BAVP, turnover tax grew by 4.8 percent in 2019. Similarly, the rise in excises on commodities was mostly the effect of higher excises on distilled liquor and wine, increased on January 1, 2019. The indicators regarding utilities showed a higher consumption in household water (m3) and household electricity (kWh), i.e., 4.1 percent and 6.1 percent (Chart 1), respectively. The greater consumption in household utilities could be explained in part by an increase in the number of tourists staying at alternative accommodations, such as family homes.

Chart 1: Consumption-related indicators
(value percentage change December 2019 vs. December 2018)



Sources: CBA, WEB, Tax Collector's Office

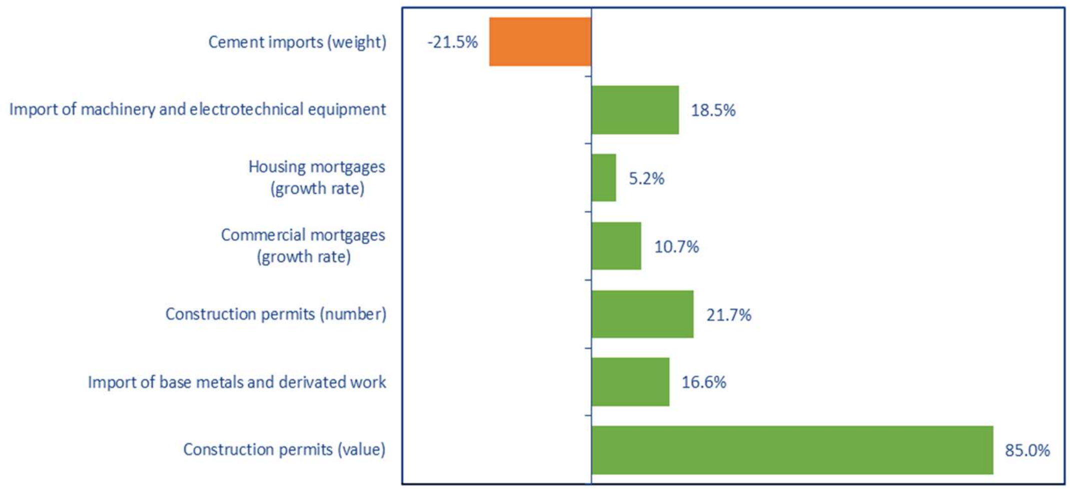
Bank credit figures, on the other hand, showed a deterioration in consumption, as consumer credit decreased by 3.7 percent in 2019, with contractions in all its components compared to

December 2018. The slump in consumer credit was mostly caused by an Afl. 8.5 million (-4.2 percent) drop in personal loans and Afl 7.3 million (-4.2 percent) contraction in car loans, followed by reductions of Afl. 2.8 million (-2.7 percent) in credit cards and Afl. 0.9 million (-1.9 percent) in the category ‘other’. Chart 1 shows a lower demand of 8.3 percent in car sales, explaining the aforementioned slump in car loans. On the other hand, consumer credit data from the nonmonetary financial institutions reported a 7.6 percent growth in consumer credit, indicative of consumers substituting consumer credit of commercial banks to alternative financing. Overall, consumer credit extended by the monetary and nonmonetary financial institutions declined by 0.9 percent.

Investment

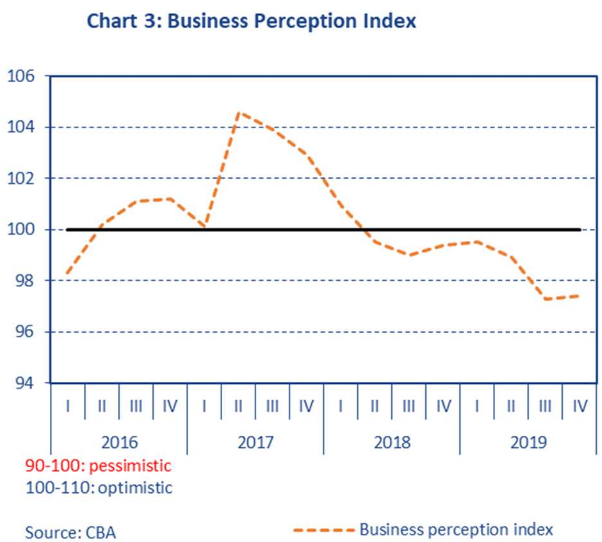
According to the latest estimate of the CBA, real investment increased by 2.2 percent in 2019, in line with most investment indicators confirming more investment activities (Chart 2). The number and value of construction permits granted in 2019 widened by 21.7 percent and 85.0 percent, respectively. The sharp increase in value of construction permits was mainly driven by the components houses and office buildings. The import of machinery and electrotechnical equipment grew by 18.5 percent, and the import of base metals and derivated works expanded by 16.6 percent, indicative of greater investment activities in 2019. Furthermore, both relevant credit indicators, i.e. housing mortgages (+5.2 percent) and commercial mortgages went up (+10.7 percent). Housing mortgages increased despite consumers indicating that it became less suitable to obtain a mortgage. The former may be the effect of the government ramping up the granting of land to residents to build houses.

Chart 2: Investment-related indicators
(value percentage change 2019 vs. 2018)



Sources: CBA, CBS, DOW

On the other hand, the import of cement showed a different trend, i.e., a slow-down of 21.5 percent in 2019. However, this is in line with the finalization of relatively large construction projects, e.g., Watty Vos Boulevard.

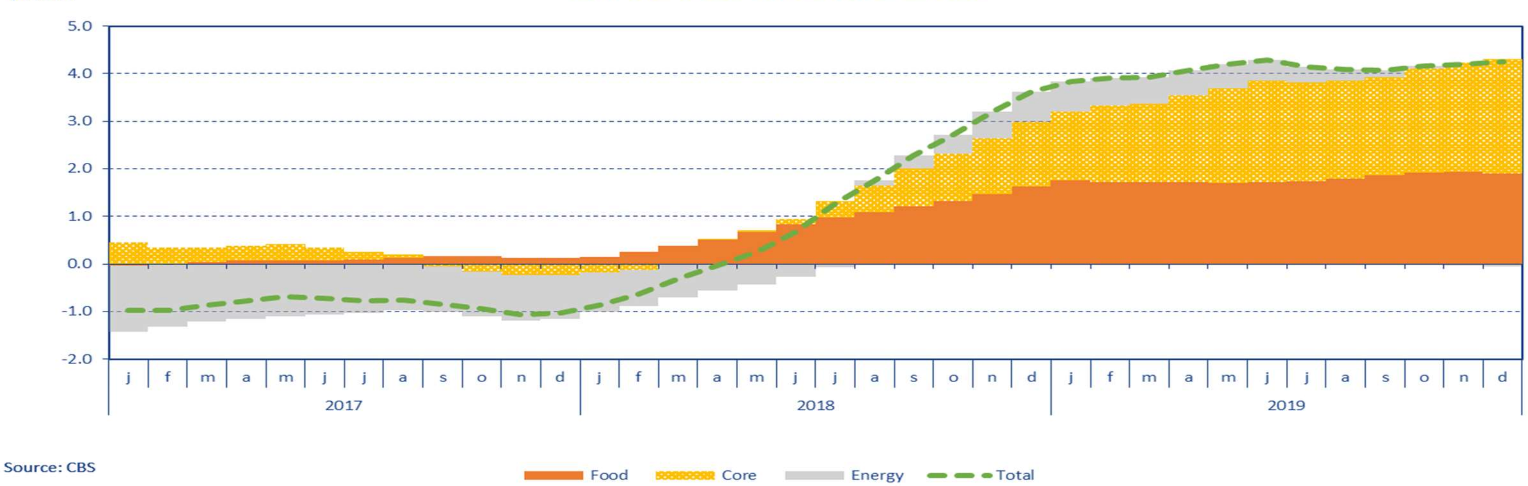


The decreasing trend in business perception index (BPI) began to level off at the end of 2019 (Chart 3). The BPI contracted by 2.0 index points when comparing the fourth quarter of 2019 to the same quarter a year before. However, the BPI remained virtually unchanged at 97.4 when comparing the last quarter of 2019 to the quarter before. During the last quarter of 2019 the BPI rose, 2.0 index points in the current economic condition index, which was mitigated by a 2.7 index points decrease of in the short-term future economic condition index. Particularly, the sectors 'electricity, gas and water supply, manufacture of refined petroleum products' and 'financial intermediation' reported a strong sense of optimism on current economic conditions. Meanwhile, the sectors 'manufacturing' and 'hotels and restaurants' were the most pessimistic regarding the short-term future economic condition.

Consumer Price Index (CPI)

The 12-month average CPI inflation amounted to 4.3 percent in December 2019, caused primarily by rising food- and communication prices (Chart 4). The contribution of food prices and communication prices to the 12-month average inflation was 1.9 percentage points and 0.6 percentage point, respectively. The former was attributed to higher prices for fruit and vegetables and the latter the result of increasing prices in mobile phone and internet services. The closure of the border with Venezuela has limited the access to relatively cheaper fruits and vegetables and, in turn, has led to alternatives being shipped over larger distances, pushing up transportation costs. Additionally, the effects of the introduction of BAVP and a higher BAZV

Chart 4: 12-month average rate of inflation

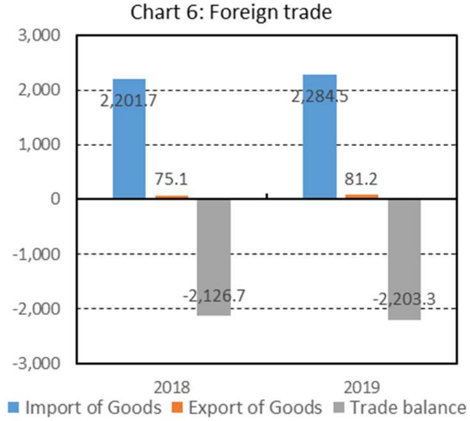


Source: CBS

Chart 5: Real exchange rate Aruban florin vis-à-vis the U.S. dollar (2019=100)

Source: CBA

Chart 6: Foreign trade



Source: CBS

tariff in 2018 were still reflected in the inflation rate, as the 12-month average core inflation accelerated to 2.4 percent in December 2019.

The real exchange rate index (1995=100) reached 82.6 at the end of 2019 and, thus, had steadily increased since the first quarter of 2018 (Chart 5). This indicates an ongoing deterioration in Aruba's competitive position relative to the United States, explained in part by fiscal policy related measures.

Foreign Trade

Aruba's trade deficit climbed to Afl. 2,203.3 million in December 2019, a widening of Afl. 76.6 million (+3.6 percent) compared to December 2018 (Chart 6). The increase was due to a larger expansion in the amount of goods imported, i.e., Afl. 82.8 million (3.8 percent) compared to the growth in the amount of goods exported, i.e., Afl 6.1 million (8.2 percent). The higher imports were mainly due to the greater demand for machinery and electrotechnical equipment (Afl. 60.1 million) and in the import of base metals and derivated works (Afl. 13.4 million) in 2019. As mentioned previously, these significantly higher imports resulted from the rebound in investment activities in 2019 compared to 2018. The uptick in exports was chiefly related to an Afl. 3.5 million increase in the export in the "other goods" component, such as materials for the manufacture of paper, paperwork and chemical products.

The United States remained Aruba's largest trading partner, accounting for 55.0 percent of all goods imported (Table 2). The further decrease in goods imported from Venezuela (-73.3 percent) due to trade sanctions was partially counterbalanced by the increasing shares of goods imported from the Netherlands (+7.0 percent), Panama (+12.3 percent), and Colombia (+15.8 percent).

Table 2: Share of imports of goods by country of origin (%)

Country of origin	December 2018	December 2019
United States	57.9	55.0
Netherlands	12.9	13.3
Netherlands Antilles	0.4	0.2
Venezuela	0.6	0.1
Panama	2.6	2.9
Brazil	2.1	1.9
Colombia	2.1	2.4
Japan	1.1	0.9
Other countries	20.3	23.3

Source: CBS Aruba

Balance of Payments

The current account of the balance of payments recorded an Afl. 115.4 million surplus in 2019. This surplus was a substantial turnaround compared to 2018, when an Afl. 38.9 million deficit was recorded (Table 3; Chart 7). This development was mainly related to the buoyant performance in the tourist sector that pushed up the surplus on the services account by 3.9 percent, and a smaller deficit on the income account related to lower net dividend and interest payments. This higher surplus outweighed an increased deficit on the goods account. The surplus on the services account widened by Afl. 91.3 million to Afl. 2,446.8 million, primarily due to a 3.3 percent rise in tourism credits (+Afl. 119.9 million). The deficit on the goods account increased by Afl. 58.8 to Afl. 1,912.4 million. Import payments of goods fell by 2.5 percent (-Afl. 55.7 million) to Afl. 2,145.4 million, while the drop in goods export receipts was more pronounced, i.e., 32.9 percent (-114.2 million) in the period under review. The deficit on the income account contracted by Afl. 121.6 million (-22.5 percent) to Afl. 419.0 million. The latter reflected mainly a narrowing of the deficit of the primary account (consisting mainly of cross-

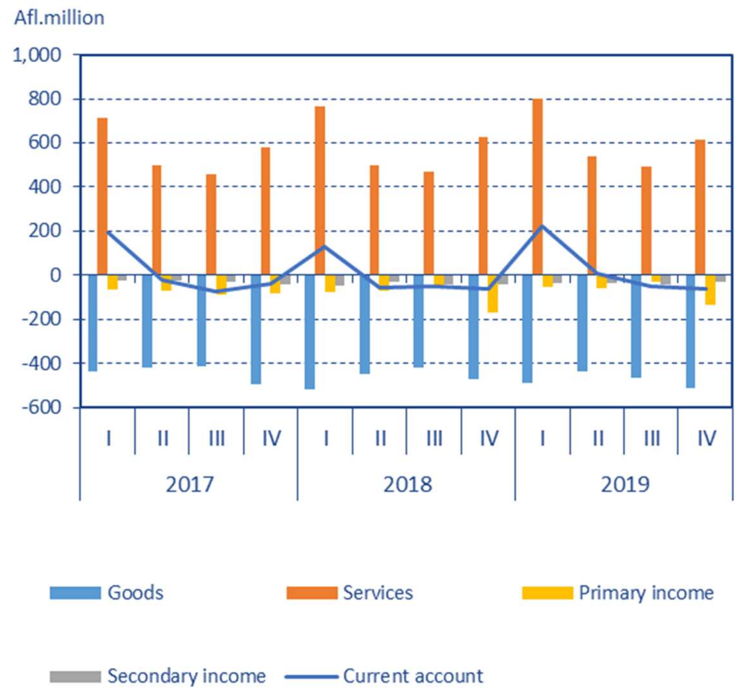
Table 3: Balance of payments (in Afl. Million)

Balance of payments	2018	2019
Current account	-38.9	115.4
Goods	-1,853.9	-1,912.4
Services	2,355.5	2,446.8
Primary income	-377.3	-277.9
Secondary income	-163.3	-141.1
Financial account	-44.2	104.8
Direct investment	-188.5	238.1
Portfolio investment	-55.9	82.9
Financial derivatives	11.0	-6.9
Other investment	61.0	-144.1
Reserve assets	128.3	-65.3

Source: CBA

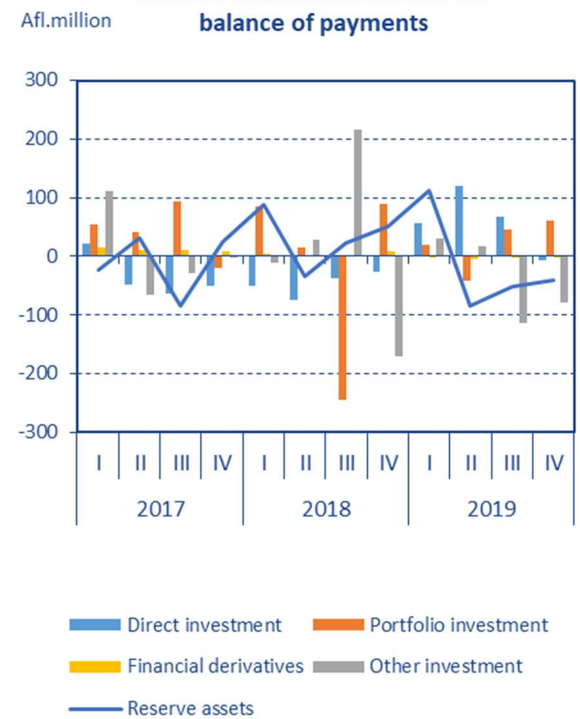
border income from labor, investment, and rent), and to a lesser extent the deficit of the secondary income account (consisting of current transfers).

Chart 7: Current account of the balance of payments



The financial account resulted in a net lending of Afl. 104.8 million in 2019, compared to a net borrowing of Afl. 44.2 million in the previous year (Table 3, Chart 8). Aruban residents invested a net amount of Afl. 229.0 million abroad, mainly through intercompany loans extended to nonresidents. Conversely, nonresident companies injected a net amount of Afl. 124.1 million into Aruba, stemming primarily from residents borrowing a net amount of Afl. 256.8 million abroad through private loans. There was also incoming investment through the purchase of real estate by nonresidents (Afl. 55.4 million), and trade credit received from nonresidents (Afl. 45.0 million). In general, the direct investment and other portfolio accounts recorded net outflows of, respectively, Afl. 238.1 million and Afl. 82.9 million, while net inflows were registered in other investment (Afl. 144.1 million), the financial derivatives account (Afl. 6.9 million), and the reserve assets (Afl. 65.3 million) (Chart 9).

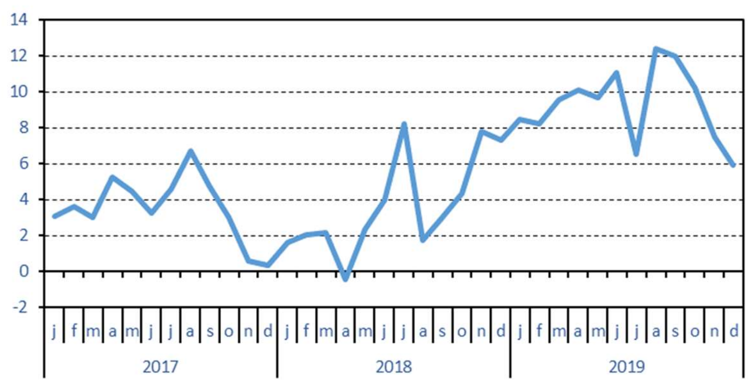
Chart 8: Financial account of the balance of payments



Monetary survey

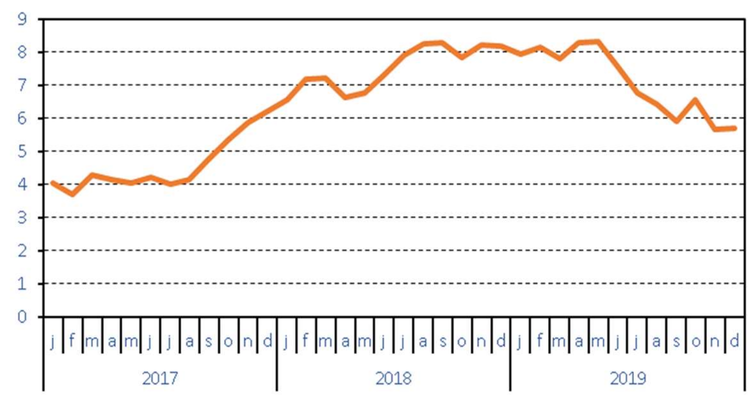
Total money supply stood at Afl. 4,569.4 million at year-end 2019, a growth of Afl. 191.8 million compared to December 2018. The expansion in money supply was the result of an Afl. 255.4 million increase in net domestic assets, which was partially offset by an Afl. 63.7 million drop in net foreign assets. The contraction in net foreign assets was mainly related to domestically financed repayments of foreign private loans and the repurchase of equity from nonresidents. The growth in net domestic assets was driven primarily by increases in loans to enterprises, housing mortgages, and gross claims on the government. Despite the contraction, net foreign assets remained above the critical norms monitored by the Monetary Policy Committee (MPC) of the CBA. However, at the end of the fourth quarter of 2019, official reserves were below the IMF Assessing Reserve Adequacy (ARA) metric, which serves as a guideline when analyzing developments in the official reserves.

Chart 9: Commercial mortgages (commercial banks)
(annual growth rate)



The growth in domestic credit was attributed largely to domestic credit extended to the private sector. Bank credit to the private sector grew by Afl. 215.8 million to Afl. 3,461.4 million at the end of December 2019 compared to year-end 2018. The main driver behind this growth was an Afl. 162.2 million increase in loans to enterprises, primarily due to expansion in both term loans with maturities longer than two years and commercial mortgages (Chart 9). Moreover, credit to individuals expanded through a rise in housing mortgages of Afl. 71 million or 5.3 percent compared to December 2018 (Chart 10). The growth in housing mortgages was partially offset by the continued decline in consumer credit of Afl. 18.4 million at the end of December 2019 compared to year-end 2018.

Chart 10: Housing mortgages (commercial banks)
(annual growth rate)



In general, total housing mortgages (including other financial institutions) reached Afl. 1,979.3 million by the end of 2019, up from Afl. 1,919.0 million the year before. The share of commercial banks in housing mortgages stood at 70.9 percent at end-2019 compared to 69.5 percent a year earlier.

Net claims on the public sector went up by Afl. 68.5 million to Afl. 502.6 million at the end of 2019 compared to December 2018. This increase was the result of an Afl. 66.7 million expansion in gross claims.

The aggregated balance sheet of the nonmonetary financial institution reached Afl. 6,352.2 million, an increase of Afl. 393.5 million compared to December 2018. On the asset side, this was due to a higher level of domestic claims (+Afl. 330.7 million) and foreign assets (+Afl. 266.3 million). On the liabilities side, there were higher amounts for other domestic liabilities (+Afl. 249.7 million), pension fund provisions (+Afl. 64.3 million), and the insurance reserve fund (+Afl. 75.0 million). On the other hand, foreign liabilities were lower (-Afl. 4.6 million) than end-2018.

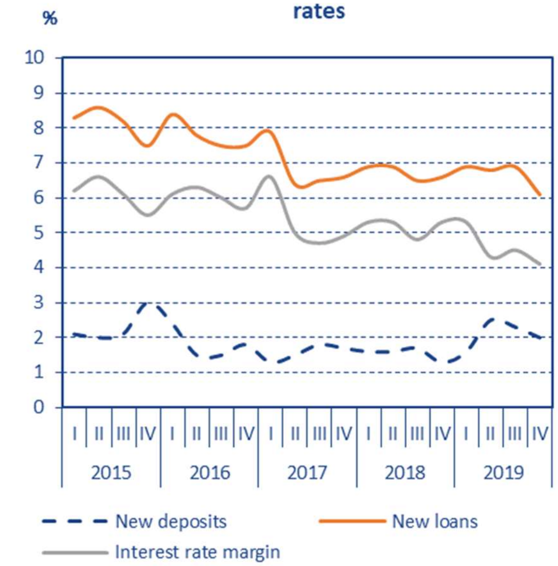
The quarterly weighted average interest rate on new deposits fell back in the second half of 2019 after going up in the first half of the year (Chart 11). On balance, the interest rate on new deposits widened from 1.2 percent in December 2018 to 2.2 percent at the end of December 2019. This was caused by a significant rise in interest rates on time deposits with maturities longer than 12 months. On the other hand, the quarterly weighted average interest rate on new loans fell from 6.0 percent in December 2018 to 5.7 percent in December 2019, mostly caused by a decrease in interest rates on other commercial loans. Consequently, the interest rate margin narrowed to 4.9 percent at the end of 2019, down from 3.5 percent in December 2018.

Financial soundness indicators remained solid during 2019. The capital adequacy ratio decreased by 1.2 percentage points to 30.9 percent, while the commercial banks' aggregated prudential liquidity ratio fell by 0.5 percentage point to 29.3 percent. Both indicators stayed well above the respective minimum requirement ratios of 16 and 18 percent (the latter was increased by 2 percentage points in January 2019). The nonperforming loans (NPLs) ratio 2019 contracted by 0.9 percentage point to 3.0 percent, indicative of an improvement in loan performance. The profitability of the commercial banking sector was slightly lower during 2019, as the return on assets before taxes decreased to 0.4 compared to 0.5 in December 2018.

Government

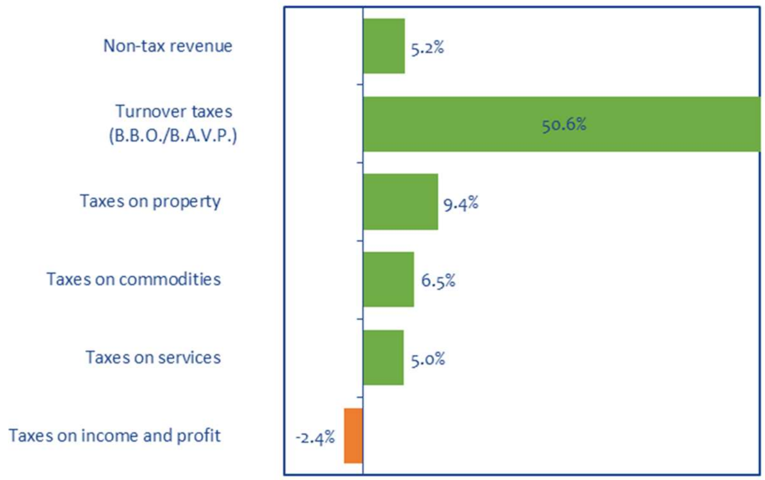
The government of Aruba recorded a fiscal deficit (on a cash basis) of Afl. 3.1 million or 0.1 percent of GDP in 2019, reflecting an improvement of Afl. 42.1 million compared to a year earlier. The narrowing of the fiscal deficit was due to an increase of 7.9 percent in government

Chart 11: Weighted average interest rates



Source: CBA

Chart 12: Government Revenue
(Percentage Change 2019 vs. 2018)



Source: Tax Collector's Office

revenue. This hike in government revenue in turn was largely attributed to higher receipts from turnover taxes (B.B.O. and B.A.V.P.). The increased government revenue was partially offset by a 4.8 percent uptick in government expenditure. Consequently, government debt reached Afl. 4,318.3 million at the end of 2019, up Afl. 19.2 million from 2018. Meanwhile, the estimated year-end debt-to-GDP ratio fell from 75.0 percent at end-2018 to 72.9 percent at end-2019.

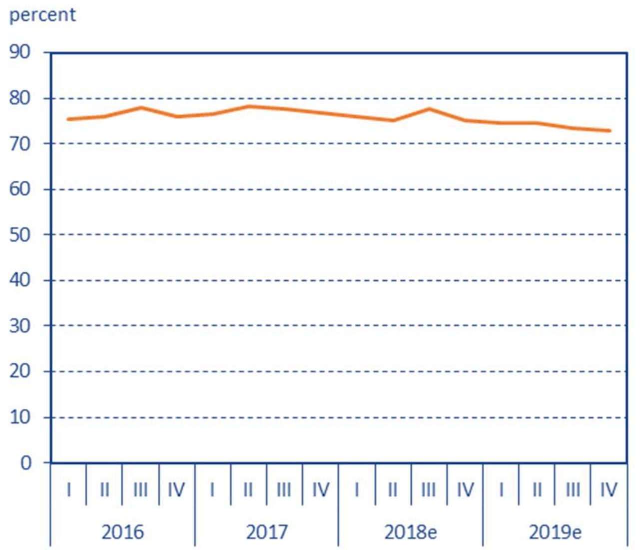
Government revenue amounted to Afl. 1,402.4 million at the end of 2019, representing an increase of Afl. 103.0 million or 7.9 percent relative to 2018. The gain in government revenue stemmed primarily from a growth in income from turnover tax, supported by upturns in all government revenue components except that of taxes on income and profits (Chart 12). Specifically, turnover tax revenue expanded by Afl. 72.4 million (+50.6 percent), largely due to the introduction of the BAVP as of July 2018. Moreover, receipts from taxes on commodities and property taxes went up by, respectively, Afl. 20.6 million (+6.5 percent) and Afl. 7.9 million (+9.4 percent). The former was mostly on account of increased excises on liquor and gasoline, while the latter was due to higher transfer tax revenues. Consistent with other components of the government revenue, revenue from taxes on services also increased by Afl. 2.5 million (+5.0 percent). In contrast to the other components of government revenue, tax revenue from income and profit decreased by Afl. 12.1 million (-2.4 percent). This decrease was related to the contraction in wage- and profit tax revenue, although largely offset by surging revenue from taxes on income. The latter was mainly the result of a spike in dividend payments, motivated by a temporary reduction in the dividend tax rate. Complementary to government tax revenue, non-tax revenue rose as well by Afl. 8.2 million (+5.2 percent) for the most part pertaining to a rise in land lease rights.

Government expenditure (on a cash basis) registered an Afl. 63.9 million or 4.8 percent increase in 2019, to Afl. 1,389.5 million. This upward shift was principally caused by higher outlays on goods & services of Afl. 50.2 million (+21.6 percent). The latter reflected increased maintenance expenses on recreational matters. In addition, personnel and investment expenditure also went up (Chart 13). Personnel expenditure rose by Afl. 22.8 million (+3.8 percent), spurred primarily by an Afl. 16.4 million expansion in wages. Meanwhile, investment outlays were pushed up by project-related expenses. On the other hand, transfers to the AZV fell to zero, due to the increase of the BAZV rate as of July 2018. Furthermore, other transfers & subsidies dropped by Afl. 8.5 million (-3.6 percent) next to a marginal Afl. 0.8 million (-0.4 percent) decrease in interest expenses.

Chart 13: Government Expenditure (Percentage Change 2019 vs. 2018)

Source: Tax Collector's Office

Chart 14: Debt-to-GDP ratio



e = estimated

Government debt increased by Afl. 19.2 million and reached Afl. 4,318.3 million at the end of 2019, equal to an estimated debt-to-GDP ratio of 72.9 percent (Chart 14). The increase in government debt was mainly driven by the issuance of Afl. 100 million in treasury bills and Afl. 202.5 million in government bonds to residents. Furthermore, the Afl. 65.8 million of government bonds issued to non-residents also contributed to the higher government debt. Meanwhile, the pick-up in government debt was partially offset by a repayment of Afl. 115 million in treasury bills and Afl. 130.2 million in government bonds to residential creditors. Moreover, the repayment of, among others, a U.S. non-public offering of Afl. 82.4 million and Afl. 23.6 million in government bonds to foreign creditors mitigated the hike in government debt as well. On balance, foreign debt declined by Afl. 57.7 million (+2.5 percent), while domestic debt grew by Afl. 77.1 million (+3.8 percent), Accordingly, the share of domestic debt in government debt edged closer to that of foreign debt, with a 48.8-51.2 percent split between them.

International developments

The IMF World Economic Outlook of April 2020 projected estimated global economic output to shrink by 3.0 percent in 2020 after recording a growth of 2.9 percent in 2019. The world economy is expected to rebound by 5.8 percent in 2021. The projected contraction for 2020 is related to the COVID-19 health emergency and related containment measures that will likely bring about reduced labor supply, curtailed mobility, disrupted supply chains, as well as lower productivity and spending. These shocks are further amplified by the downbeat reactions in the financial markets, international financial linkages, and decreases in commodity prices. The projections were based on a dwindling of the COVID-19 pandemic in the second half of 2020 and the gradual reduction of containment efforts. A partial recovery is expected in 2021, with above trend growth rates, indicative of a return to normal economic activity from very low levels. The GDP level, however, is estimated to remain below the pre-virus capacity.

For the United States, the pandemic entails a move from an estimated 2.3 percent real GDP growth in 2019 to a 5.9 percent contraction in 2020, while the Euro Area goes from 1.2 percent in 2019 to -7.5 percent in 2020. Both advanced economies are expected to grow at 4.7 percent in 2021.

Latin America and the Caribbean are forecasted to contract by 5.2 percent in 2020, from an estimated 0.1 percent growth in 2019. In 2021, this group of economies is projected to grow at 3.4 percent. While Latin America and the Caribbean have had a little more time to prepare for the pandemic, because of being hit later than other regions, the disruptions due to local and global containment measures are likely to bring economic activity to a complete halt in these countries. The increase in borrowing costs will expose financial vulnerabilities, while the drop in the price of oil, albeit benefitting oil importing countries in the region, will slow down investment and economic activities in those countries heavily dependent on the export of oil. There is also additional significant pressure on countries with weak public health infrastructures, as well as on countries with limited fiscal space to increase public health services and to provide support to affected sectors and households.

With regard to the Caribbean, S&P Global's COVID-19 scenario analysis suggests that "Sun, Sea, and Sand" island economies are the most exposed to the slowdown in global tourism. The IMF also stated that if there is a local outbreak in these economies, containment efforts are likely to hit service sector activity the hardest, particularly the tourism and hospitality, and the transportation sectors. The IMF noted that major cruise companies cancelled sailings through June, and most airlines reduced or suspended service to the Caribbean region. Moreover, experience from previous crises indicate that the economy could take longer to recover. Additionally, the "fear-factor" associated with the virus could have a long-lasting impact on tourism in the region, even after the pandemic subsides.

The OECD estimates that annual GDP growth of the global economy will contract by up to 2 percentage points for each month that containment measures are in place, without offsetting factors. This contraction results from government introduced measures to contain COVID-19 that led to the temporary shutdown of businesses, widespread restriction on travel and mobility, financial market turmoil, erosion of confidence, and heightened uncertainty.

While the estimates of the impact of COVID-19 on global economic activity may vary between the international organizations, the consensus is that the magnitude of the impact will be significantly more severe than was experienced during the global financial crisis of 2008-2009.

Table xx: Projections for Latin America and the Caribbean (Real GDP growth, in percent)

Indicator	2019e	2020f	2021f
Latin America and the Caribbean	0.1	-5.2	3.4
South America	-0.1	-5.0	3.4
Central America	2.4	-3.0	4.1

Source: IMF.

e = estimate (IMF); f = forecast (IMF)

III. Conclusion

Aruba's economy is estimated to have contracted by 0.7 percent in real terms in 2019, according to the latest Economic Outlook publication of the CBA. The slow-down in the economy was mostly driven by a further slack in the consumption component. Consumption indicators such as banking credit and car sales pointed towards a decline. Available data indicated positive results in the tourism sector for the year, while investment data showed a pick-up in investment activities. Tourism related activities remained strong, as reflected in available data on stay-over visitors (both including and excluding Venezuela) showed further gains, with the average length of stay remaining relatively unchanged.

The 12-month average CPI inflation accelerated from 3.6 percent at end-December 2018 to 4.3 percent in December 2019, caused primarily by rising food- and communication prices. The real exchange rate of the florin vis-à-vis the U.S. dollar increased steadily since the first quarter of 2018.

Aruba's trade deficit, as reported by the CBS reached Afl. 2,199.1 million in December 2019, i.e., a widening of Afl. 72.4 million (+3.4 percent) compared to December 2018. The attributing factors are increased imports of construction related materials.

The current account of the balance of payments recorded an Afl. 115.4 million surplus during 2019. This surplus was a substantial turnaround compared to 2018, when an Afl. 38.9 million deficit was recorded. This positive development was mainly related to the strong performance in the tourist sector that pushed up the surplus on the services account by 3.9 percent, combined with a smaller deficit on the income account.

The financial account resulted in a net lending abroad of Afl. 104.8 million in 2019, compared to a net borrowing of Afl. 44.2 million in the previous year.

Total money supply stood at Afl. 4,569.4 million at year-end 2019, a growth of Afl. 191.8 million compared to December 2018. The expansion in money supply was the result of an Afl. 255.4 million increase in net domestic assets, which was partially offset by an Afl. 63.7 million drop in net foreign assets. The contraction in net foreign assets was mainly related to domestically financed repayments of foreign private loans and the repurchases of equity from nonresidents.

The government of Aruba recorded a fiscal deficit (on a cash basis) of Afl. 3.1 million or 0.1 percent of GDP in 2019, reflecting an improvement of Afl. 42.1 million compared to a year earlier. The narrowing of the fiscal deficit was due to a 7.9 percent increase of in government revenue, pushed up by gains in both tax and non-tax revenue. The higher government revenue was partially offset by a 4.8 percent uptick in government expenditure. The latter was mainly caused by higher outlays on goods and services. Consequently, government debt reached Afl. 4,318.3 million at the end of 2019, up Afl. 19.2 million from 2018. Meanwhile, the estimated year-end debt-to-GDP ratio fell from 75.0 percent at end-2018 to 72.9 percent at end-2019.

Table 4: Main economic indicators

Indicator	2018 Jan-Dec	2019 Jan-Dec	Change
Hotel revenue per available room (US$)	218	234	16
Stay-over visitors (numbers)*	890,134	926,946	36,812
Cruise visitors (numbers)	815,161	832,001	16,840
Construction permits (Afl. million)	463	857	394
Imports of machinery and electrotechnical equipment (Afl. million)	324.9	385.1	60.1
Turnover tax receipts (Excl. BAVP, in Afl. million)	104.5	109.5	5.0
Taxes on income and profit (Afl. million)	498.8	486.7	-12.1
Twelve-month average rate of inflation (percent)	3.6	4.3	0.6
Government debt-to-GDP (ratio)	75.0	72.9	-2.1

Sources: CBA, AHATA, ATA, CBS.

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