



CENTRALE BANK VAN ARUBA

Moderate growth during first half of 2019

Press release

December 23, 2019

Today the Centrale Bank van Aruba (CBA) published the State of the Economy of the first half of 2019. This publication provides a synopsis of the local and international economic developments of this period. The domestic highlights are presented below, including a summary of main economic indicators.

Available data indicate that Aruba's economy seems to have grown moderately at best during the first half of 2019 compared to the same period of the previous year. Aruba's tourism sector performed well in the first six months of 2019, despite the continued contraction in the Venezuelan market. Most consumption indicators suggest a sluggish development in consumption in the first six months of 2019. Consumer sentiments became more pessimistic in the second quarter of 2019, compared to the last quarter of 2018, mostly related to a deterioration of their financial position. Investment indicators for January-June 2019 point to a pick-up in investment, although the business perception index (BPI) showed an increasing level of pessimism in the second quarter of 2019.

The 12-month average CPI inflation stood at 4.3 percent in June 2019, resulting from rising food and gasoline prices, as well as an increase in the price of certain communication services. The real exchange rate of the florin vis-à-vis the U.S. dollar has been increasing since the first quarter of 2018, due to developments in prices, which are partly the result of changes in fiscal policies.

Aruba's trade deficit amounted to Afl. 1,004.5 million in the first half of 2019, which is a 2.3 percent reduction compared to the same period of the previous year. The current account of the balance of payments recorded an Afl. 252.5 million surplus in the first half of 2019, larger than in the same period of 2018, mostly related to the strong performance in the tourism sector. In addition, import payments of goods fell by 7.4 percent to Afl. 1,043.2 million. The financial account resulted in a net lending of Afl. 236.7 million in the first half of 2019, up from Afl. 68.4 million a year earlier, mainly due to net purchases of foreign equity and debt securities by resident private investors.

Total money supply increased to Afl. 4,435.3 million at the end of the second quarter of 2019, an expansion of Afl. 57.7 million compared to December 2018. The growth in money supply was solely caused by a rise in net domestic assets of Afl. 61.7 million, resulting from Afl. 114.3 million higher domestic credit. Net foreign assets declined slightly, i.e., by Afl. 4.0 million.

In the first half of 2019, the government of Aruba registered a fiscal surplus (on a cash basis) of Afl. 16.6 million, or 0.3 percent of estimated GDP, an improvement of Afl. 30.1 million compared to the same period of 2018. Pushed up by turnover tax proceeds, government revenue rose by Afl. 46.4 million (+7.0 percent) in the first half of 2019, compared to the same period of 2018 and registered a total of Afl. 712.8 million. Outlays on expenditure (on a cash basis) expanded by Afl. 19.2 million (+2.8 percent) to Afl. 694.5 million in the first two quarters of 2019 compared to the same period of 2018. This growth was largely attributed to a rise in expenses on goods and services. In the first two quarters of the year government debt expanded by Afl. 39.3 million to Afl. 4,338.4 million, equal to 74.4 percent of estimated GDP.

Table: Main economic indicators, first half of 2019

Indicator	2018 Jan-Jun	2019 Jan-Jun	Change
Hotel revenue per available room (US\$)	242	261	19
Stay-over visitors (numbers)	540,337	575,652	35,315
Cruise visitors (numbers)	437,245	435,112	-2,133
Construction permits (Afl. million)	162	187	25
Imports of machinery and electrotechnical equipment (Afl. million)	162,5	154,3	-8.2
Turnover tax receipts (excl. BAVP, in Afl. million)	55.0	55.6	0.6
Taxes on income and profit (Afl. million)	258.1	251.9	-6.2
Twelve-month average rate of inflation (June, percent)	0.7	4.3	3.6
Consumer confidence index (second quarter, index points)	94.3	95.1	0.8
Car loans (percent growth rate)	2.7	-2.8	-5.5
Consumer credit (percent growth rate)	-2.1	-0.6	1.4
Government debt-to-GDP ratio (June)	75.1	74.4	-0.7

Sources: CBA, AHATA, ATA, CBS

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