

BALANCE OF PAYMENTS DEVELOPMENTS SECOND QUARTER OF 2018



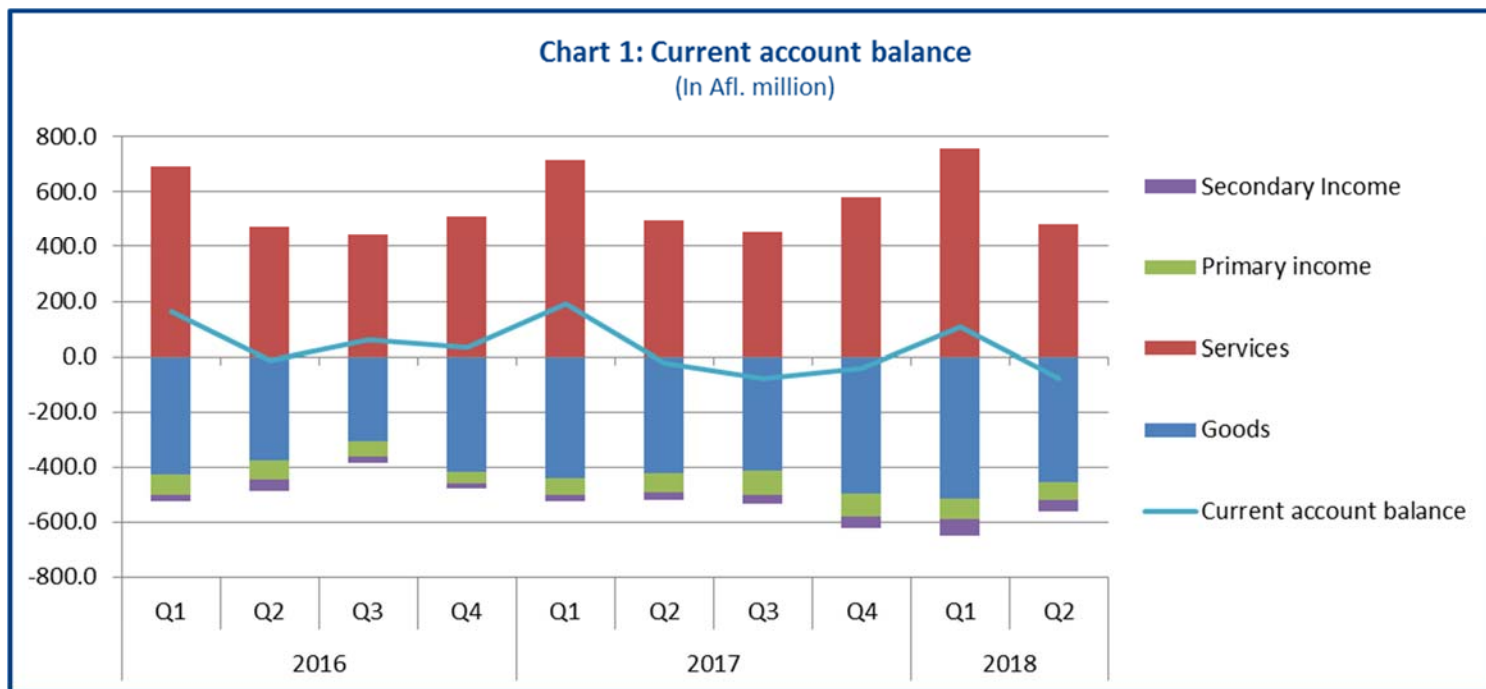
CENTRALE BANK VAN ARUBA

January 8, 2019

BALANCE OF PAYMENTS DEVELOPMENTS

Current account deficit for the second quarter of 2018 higher than a year before

The current account deficit of the balance of payments expanded by Afl. 54.9 million to Afl. 78.3 million in the second quarter of 2018, compared to the second quarter of 2017. The contraction in the current account deficit was largely due to a widening of the deficits on the goods and income accounts, as well as a decline in the services account surplus (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

The goods balance recorded a deficit of Afl. 454.8 million in the second quarter of 2018, an expansion of Afl. 33.7 million, compared to the same quarter of 2017. The widening of the deficit reflected an increase of Afl. 72.7 million in imports, which was partly offset by a rise of Afl. 38.9 million in exports (Table 1).

The deficit on the secondary income account increased by Afl. 13.5 million in the quarter under review while the primary account noted a lower deficit of Afl. 4.6 million. Higher payments to abroad were made related to insurance claims of Afl. 10.0 million during the second quarter of this year in connection with the hurricane damage in Sint Maarten (2017).

Furthermore, the services account surplus contracted somewhat by Afl. 12.2 million, resulting from an Afl. 78.3 million rise in import of services, largely counterbalanced by an Afl. 66.1 million increase in the export of services. Import of services grew mostly due to higher payments for construction work. The growth in export of services was largely due to an 8.4 percent increase (+Afl. 61.5 million) in tourism credits¹.

¹ Tourism credits refer to the consumption goods and services acquired by nonresidents during their visit to Aruba. Tourism credits do not include passenger fares, which are captured in Transportation services.

Table 1: CURRENT AND CAPITAL ACCOUNTS			
<i>In Afl. million</i>	2017 Q2	2018 Q2	Changes
1. Goods	-421.1	-454.8	-33.7
Exports	45.7	84.6	38.9
Imports	466.8	539.5	72.7
2. Services	495.6	483.4	-12.2
Credits	884.8	950.8	66.1
Debits	389.2	467.4	78.3
3. Primary income	-72.0	-67.4	4.6
4. Secondary income	-26.0	-39.5	-13.5
CURRENT account balance (1+2+3+4)	-23.5	-78.3	-54.9
CAPITAL account balance	0.2	-0.5	-0.7
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	-23.2	-78.8	-55.6
Source: Centrale Bank van Aruba			

Financial account

The financial account resulted in net borrowing of Afl. 79.1 million in the second quarter of 2018, compared to Afl. 33.7 million in the same quarter of 2017 (Table 2). This outcome resulted mainly from a net increase of financial liabilities (+Afl. 60.9 million) compared to a minor net reduction a year earlier. This effect was partly offset by an Afl. 18.2 million net decrease of financial assets (Q2-2017: -Afl. 34.2 million).

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2017 Q2	2018 Q2	Changes
Net acquisition of financial assets	-34.2	-18.2	16.0
Direct investment	19.9	19.0	-0.9
Portfolio investment	28.1	-8.2	-36.3
Financial derivatives	0.0	0.0	0.0
Other investment	-112.9	5.2	118.1
Reserve assets	30.7	-34.2	-64.9
Net incurrence of financial liabilities	-0.4	60.9	61.3
Direct investment	68.5	96.0	27.5
Portfolio investment	-12.1	-23.7	-11.6
Financial derivatives	-10.0	0.0	9.9
Other investment	-46.9	-11.4	35.5
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	-33.7	-79.1	-45.3
Source: Centrale Bank van Aruba			

Net incurrence of financial liabilities

During the second quarter of 2018, the net increase of financial liabilities was mostly generated by changes in the direct investment and other investment liabilities. Intercompany debt liabilities recorded a net growth of Afl. 77.4 million compared to Afl. 32.0 million in the same period of 2017. Moreover, in the quarter under review, loans and other liabilities to third parties recorded a slight net increase of Afl. 4.3 million, compared to a net decrease of Afl. 37.3 million a year earlier. Furthermore, as for the financial derivatives liabilities, in the second quarter of 2018 there was no repayment related to hedging expenses for the acquisition of Heavy Fuel Oil (Q2-2017:-Afl. 10.0 million).

Net acquisition of financial assets

The net reduction of financial assets in the second quarter of 2018 resulted from transactions related to other investment assets which were, to a large extent, offset by transactions in reserve assets and portfolio investment assets. Changes in currency and deposits of the commercial banks and resident enterprises contributed hereto. Currency and deposits of the commercial banks recorded an Afl. 1.1 million net increase in the second quarter of 2018, compared to an Afl. 89.3 net reduction in the second quarter of 2017. In addition, balances on bank accounts held abroad by resident enterprises increased by Afl. 21.5 million in the quarter under review, while an Afl. 20.7 million decrease was noted a year earlier.

On the other hand, reserve assets showed an Afl. 34.2 million net decrease in the second quarter of 2018, compared to an Afl. 30.7 million net increase in the corresponding period in 2017, due to an Afl. 38.7 million drop in currency and deposits (Q2-2017: +Afl. 25,2 million). Lastly, portfolio investment assets noted a net decrease (-Afl. 8.2) in the quarter under review, compared to a net increase (+Afl. 28.1 million) a year earlier, mainly due to a fall in foreign debt securities.

General notes to the tables:

Owing to rounding of figures, the sum of separate items may differ (minimally) from the total shown.



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