



BALANCE OF PAYMENTS DEVELOPMENTS

SECOND HALF OF 2018



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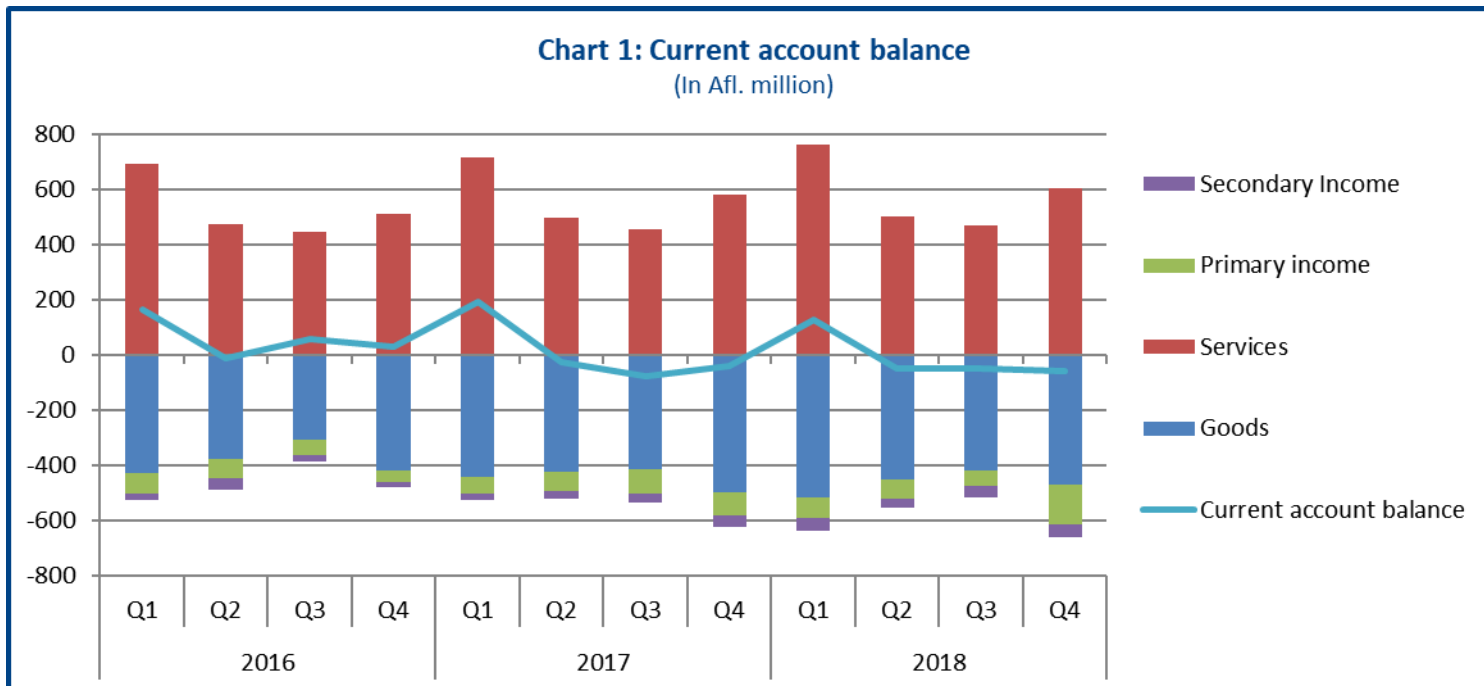


CENTRALE BANK VAN ARUBA

BALANCE OF PAYMENTS DEVELOPMENTS

Current account deficit for the second half of 2018 lower than a year before

The current account deficit of the balance of payments contracted by Afl. 11.2 million to Afl.103.7 million in the second half of 2018, compared to the second half of 2017. The contraction in the current account deficit resulted from an increase in the services account surplus and a decline in goods account deficit, which were greatly offset by expansions in both the primary and secondary income accounts deficits (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the second half of 2018, the services account surplus expanded by Afl. 34.9 million, resulting from an Afl. 118.1 million rise in the export of services, partly counterbalanced by an Afl. 83.2 million increase in the import of services. The growth in export of services was largely due to a 6.9 percent increase (+Afl. 110.4 million) in tourism credits¹ (Table 1).

Furthermore, the goods balance recorded a deficit of Afl. 885.9 million in the second half of 2018, an Afl. 24.5 million decline, compared to the same period of 2017. The narrowing of the deficit reflected a higher increase in exports (+Afl. 50.4 million), compared to imports (+Afl. 25.8 million).

The deficits on both the primary and secondary income accounts expanded by Afl. 35.0 million and Afl. 13.2 million, respectively. Higher dividend payments and payments to abroad made related to insurance claims during the second half of this year in connection with the hurricane damage in Sint Maarten (2017) led to the aforementioned expansions.

Financial account

The financial account resulted in a net borrowing of Afl. 85.6 million in the second half of 2018, compared to Afl. 115.4 million in the same period of 2017 (Table 2). This outcome resulted from an Afl. 244.2 million net increase of financial liabilities (2nd half 2017: Afl. 170.9 million) and an Afl. 158.6 million net increase of financial assets (2nd half 2017: Afl. 55.5 million).

Net incurrence of financial liabilities

During the second half of 2018, the net increase of financial liabilities was mostly generated by an Afl. 186.3 million rise in portfolio investment liabilities, compared to Afl. 3.1 million in the same period of 2017. This surge was mostly due to the government debt issuance on the international capital market. Additionally, direct investment liabilities, both equity and debt, grew by Afl. 102.1 million (2nd half 2017: Afl. 205.8 million).

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 Q3+Q4	2018 Q3+Q4	Changes
1. Goods	-910.4	-885.9	24.5
Exports	138.1	188.4	50.4
Imports	1,048.5	1,074.3	25.8
2. Services	1,038.2	1,073.1	34.9
Credits	1,896.3	2,014.4	118.1
Debits	858.2	941.4	83.2
3. Primary income	-169.9	-205.0	-35.0
4. Secondary income	-72.7	-85.9	-13.2
CURRENT account balance (1+2+3+4)	-114.8	-103.7	11.2
CAPITAL account balance	0.0	0.4	0.4
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	-114.8	-103.3	11.5

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2017 Q3+Q4	2018 Q3+Q4	Changes
Net acquisition of financial assets	55.5	158.6	103.1
Direct investment	91.8	31.5	-60.3
Portfolio investment	75.6	30.4	-45.2
Financial derivatives	0.0	0.0	0.0
Other investment	-52.1	21.8	73.9
Reserve assets	-59.8	74.9	134.6
Net incurrence of financial liabilities	170.9	244.2	73.3
Direct investment	205.8	102.1	-103.7
Portfolio investment	3.1	186.3	183.2
Financial derivatives	-17.2	-7.9	9.3
Other investment	-20.8	-36.3	-15.5
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	-115.4	-85.6	29.8
Source: Centrale Bank van Aruba			

Net acquisition of financial assets

The net growth of financial assets in the second half of 2018 resulted from increases in all categories with the exception of financial derivatives. Intercompany lending grew by Afl. 28.7 million, investments in foreign equity securities rose by Afl. 32.8 million, and other investment assets increased by Afl. 25.4 million.

In the period under review, reserve assets showed an Afl. 74.9 million net increase, largely related to investment in foreign debt securities. In the corresponding period of 2017, an Afl. 59.8 million net decline in reserve assets was noted, due to net selling of 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.