

BALANCE OF PAYMENTS DEVELOPMENTS

SECOND QUARTER OF 2019



November 13th, 2019

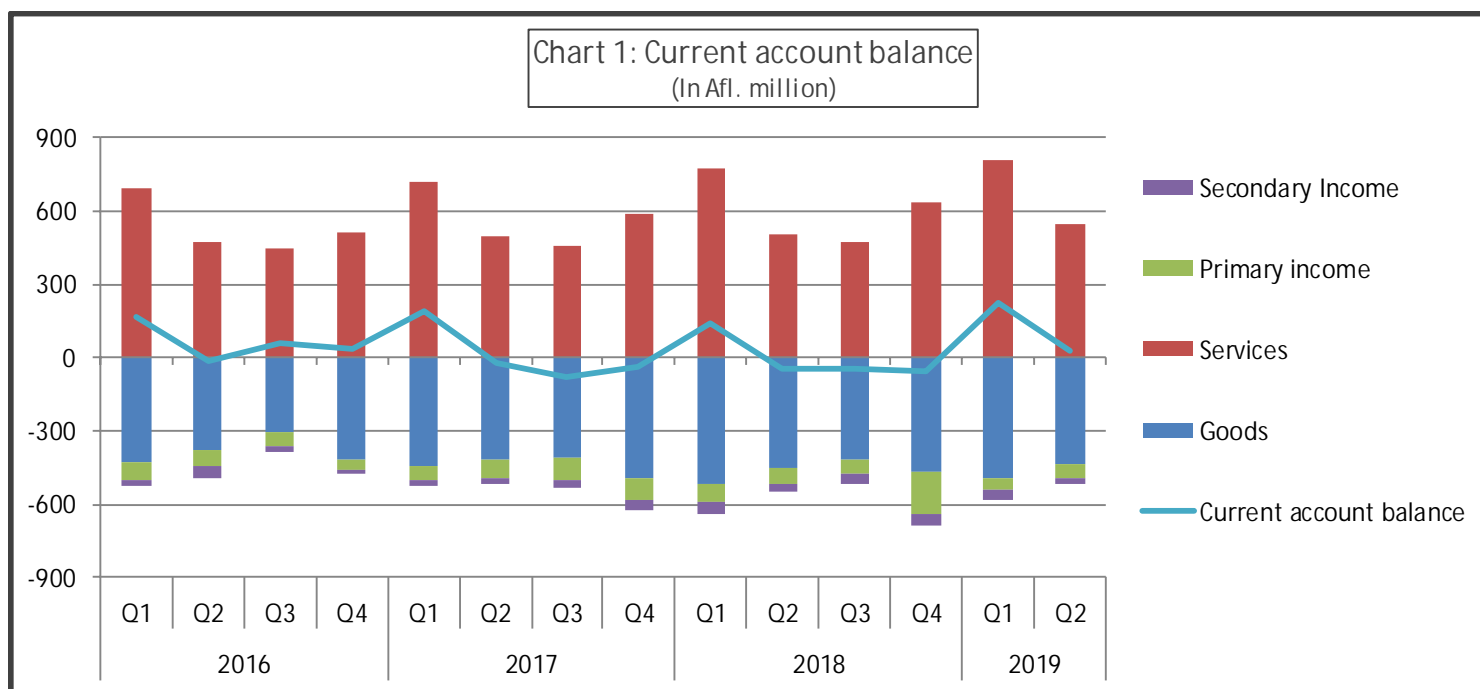
"De bezige bij", the busy bee representing the importance of a balanced and sustainable environment conducive to economic growth.



BALANCE OF PAYMENTS DEVELOPMENTS

Current account surplus in the second quarter of 2019 compared to a deficit a year before

In the second quarter of 2019, the current account of the balance of payments recorded an Afl. 28.4 million surplus, compared to an Afl. 45.8 million deficit in the same period of 2018. This turnaround was brought about by an expansion of Afl. 42.3 million in the services account surplus and contractions in the deficits on the income and goods accounts of Afl. 20.6 million and Afl. 11.2 million, respectively (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the second quarter of 2019, the services account surplus expanded by Afl. 42.3 million, resulting from an Afl. 55.2 million rise in the export of services, partly counterbalanced by an Afl. 12.9 million increase in the import of services (Table 1). The growth in export of services was largely due to a 7.2 percent increase (+Afl. 57.2 million) in tourism credits¹.

Also, the goods balance recorded a deficit of Afl. 438.5 million in the second quarter of 2019, an Afl. 11.2 million decline, compared to the same period of 2018. The narrowing of the deficit reflected a higher decrease in imports (-Afl. 44.5 million), compared to exports (-Afl. 33.2 million).

In the quarter under review, the deficits on both the primary and secondary income accounts contracted by Afl. 15.4 million and Afl. 5.2 million, respectively. The reduction in the primary income account deficit was mostly due to an increase in interest received from investment in foreign debt securities of Afl. 7.6 million (74.5 percent) and an Afl. 4.9 million (69 percent) rise in interest on foreign loans. The contraction in the secondary income account deficit was caused primarily by lower payments in connection with insurance claims.

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.

Financial account

The financial account resulted in a net lending of Afl. 22.1 million in the second quarter of 2019, compared to a net borrowing of Afl. 58.7 million in the same period of 2018 (Table 2). This outcome resulted from an Afl. 5.4 million net increase in financial assets (2nd quarter of 2018: -Afl. 21.6 million) and an Afl. 16.7 million net decrease in financial liabilities (2nd quarter of 2018: +Afl. 37.0 million).

Net acquisition of financial assets

The net growth in financial assets in the second quarter of 2019 resulted on the one hand from net increases in deposits at foreign banks (+Afl. 56.5 million), third party lending (+Afl. 41.6 million) and intercompany lending (+Afl. 27.8 million). On the other hand, net decreases were noted in reserve assets (-Afl. 84.0 million) and foreign debt securities (-Afl. 36.8 million).

The drop in reserve assets was largely related to reductions in foreign debt securities (-Afl. 45.5 million) and deposits on foreign bank accounts (-Afl. 39.8 million). In the corresponding period of 2018, an Afl. 34.2 million net decrease in reserve assets was noted.

Net incurrence of financial liabilities

During the second quarter of 2019, the net decrease in financial liabilities resulted from a net decline in intercompany lending (-Afl. 120.9 million), which was greatly offset by increases in foreign deposits and loans of the banking sector (+Afl. 64.5 million) and incoming equity/real estate contribution (+Afl. 28.1 million). The reduction in intercompany lending was mostly caused by repayment of intercompany loans by the hotel sector.

Table 1: CURRENT AND CAPITAL ACCOUNTS			
In Afl. million	2018 Q2	2019 Q2	Changes
1. Goods	-449.8	-438.5	11.2
Exports	85.6	52.3	-33.2
Imports	535.3	490.9	-44.5
2. Services	505.2	547.6	42.3
Credits	952.6	1,007.8	55.2
Debits	447.3	460.2	12.9
3. Primary income	-70.8	-55.4	15.4
4. Secondary income	-30.4	-25.2	5.2
CURRENT account balance (1+2+3+4)	-45.8	28.4	74.2
CAPITAL account balance	-0.5	0.0	0.5
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	-46.3	28.4	74.7
Source: Centrale Bank van Aruba			

Table 2: FINANCIAL ACCOUNT			
In Afl. million	2018 Q2	2019 Q2	Changes
Net acquisition of financial assets	-21.6	5.4	27.1
Direct investment	19.1	29.0	9.9
Portfolio investment	-13.1	-41.0	-27.8
Financial derivatives	0.0	0.0	0.0
Other investment	6.6	101.4	94.9
Reserve assets	-34.2	-84.0	-49.9
Net incurrence of financial liabilities	37.0	-16.7	-53.8
Direct investment	92.7	-92.8	-185.5
Portfolio investment	-23.7	-1.7	21.9
Financial derivatives	0.0	3.7	3.8
Other investment	-32.0	74.0	106.0
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	-58.7	22.1	80.8
Source: Centrale Bank van Aruba			

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