

BALANCE OF PAYMENTS DEVELOPMENTS

THIRD QUARTER OF 2019



March 23, 2020

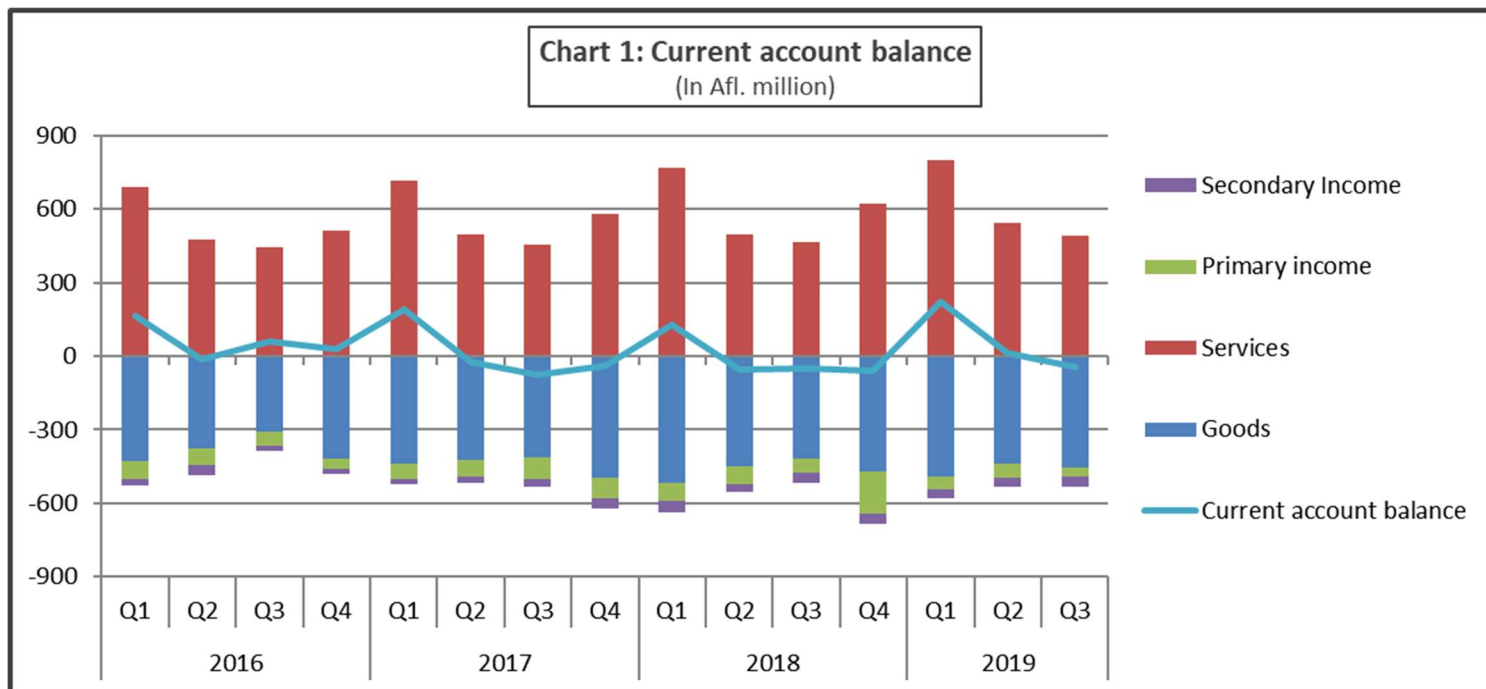
"De bezige bij", the busy bee representing the importance of a balanced and sustainable environment conducive to economic growth.



BALANCE OF PAYMENTS DEVELOPMENTS

Current account deficit in the third quarter of 2019 slightly lower compared to a year before

In the third quarter of 2019, the deficit on the current account of the balance of payments contracted by Afl. 9.2 million to Afl. 42.6 million, compared to the third quarter of 2018. This contraction resulted from an Afl. 26.0 million expansion in the services account surplus, an Afl. 22.3 million decline in the deficit on the income account, and an Afl. 39.0 million increase in the deficit on the goods account (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the third quarter of 2019, the services account surplus expanded by Afl. 26.0 million, resulting from increases in both the export of services (Afl. 32.7 million) and in the import of services (+Afl. 6.7 million) (Table 1). The growth in export of services was mainly due to a 2.3 percent surge (+Afl. 18.4 million) in tourism credits¹. Additionally, in the period under review, higher receipts in connection with landing fees of Afl. 10.1 million (37 percent) were registered.

Furthermore, the deficit on the primary income account fell by Afl. 26.5 million to Afl. 32.6 million. The reduction in the primary income account deficit was caused largely by lower dividend and intercompany interest payments to abroad (-Afl. 21.6 million) and higher interest received from foreign investments (+Afl. 9.7 million). The latter were offset by an Afl. 14.4 million increase in interest payments by the government.

The secondary income account deficit, on the other hand, noted a slight increase in the quarter under review. This was due to lower insurance premium payments (-Afl. 26.3 million), which were offset by lower insurance claims receipts (-Afl. 11.3 million) and higher outgoing remittances (+Afl. 10.0 million).

Moreover, the goods balance recorded a deficit of Afl. 456.4 million in the third quarter of 2019, an Afl. 39.0 million expansion, compared to the same period of 2018. This outcome was mainly caused by an Afl. 47.5 million decrease in exports (43.8 percent) in the quarter under review, compared to the corresponding period of 2018. The drop in exports was mainly because of a large re-export in the third quarter of last year.

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 borrowing of Afl. 46.6 million in the third quarter of 2019, similar to the result of the same quarter of a year earlier (-Afl. 47.0 million) (Table 2). This outcome was caused by an Afl. 85.7 million net decrease in financial assets (3rd quarter of 2018: +Afl. 234.0 million), which was higher than the Afl. 39.1 million net reduction in financial liabilities (3rd quarter of 2018: +Afl. 281.0 million).

Net acquisition of financial assets

The net decline in financial assets in the third quarter of 2019 was due to net decreases in deposits on foreign bank accounts (-Afl. 111.0 million) and reserve assets (-Afl. 52.0 million). These contractions were somewhat offset by increases in foreign investments (+Afl. 33.3 million) and intercompany receivables (+Afl. 21.1 million). The net decrease in foreign bank deposits was brought about by both the banking sector (-Afl. 61.4) as well as the other sectors (-Afl. 49.6 million).

The drop in reserve assets was largely related to reductions in deposits on foreign bank accounts (-Afl. 34.7 million) and foreign debt securities (-Afl. 16.3 million). In the corresponding quarter of 2018, an Afl. 23.1 million net surge in reserve assets was recorded.

Net incurrence of financial liabilities

During the third quarter of 2019, the net drop in financial liabilities resulted mainly from net reduction in equity investment (-Afl. 36.6 million) and intercompany lending (-Afl. 27.3 million), mostly contributed by the hotel sector. On the other hand, increases were noted in third party lending (+Afl. 45.0 million) and inward investment in real estate (+Afl. 16.9 million). The rise in third party lending was related mainly to a number of projects (e.g. the airport, the hospital, and a new hotel).

Table 1: CURRENT AND CAPITAL ACCOUNTS			
<i>In Afl. million</i>	2018 Q3	2019 Q3	Changes
1. Goods	-417.4	-456.4	-39.0
Exports	108.4	60.9	-47.5
Imports	525.7	517.3	-8.4
2. Services	467.1	493.1	26.0
Credits	936.5	969.2	32.7
Debits	469.4	476.1	6.7
3. Primary income	-59.1	-32.6	26.5
4. Secondary income	-42.4	-46.7	-4.3
CURRENT account balance (1+2+3+4)	-51.8	-42.6	9.2
CAPITAL account balance	0.4	0.8	0.4
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	-51.4	-41.8	9.6
Source: Centrale Bank van Aruba			

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2018 Q3	2019 Q3	Changes
Net acquisition of financial assets	234.0	-85.7	-319.6
Direct investment	33.6	21.1	-12.5
Portfolio investment	-17.3	43.1	60.4
Financial derivatives	0.0	0.0	0.0
Other investment	194.6	-97.9	-292.5
Reserve assets	23.1	-52.0	-75.1
Net incurrence of financial liabilities	281.0	-39.1	-320.1
Direct investment	72.2	-47.0	-119.2
Portfolio investment	227.5	-3.1	-230.6
Financial derivatives	0.0	1.0	1.0
Other investment	-18.7	10.0	28.7
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	-47.0	-46.6	0.4
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.