

BALANCE OF PAYMENTS DEVELOPMENTS

FOURTH QUARTER OF 2019



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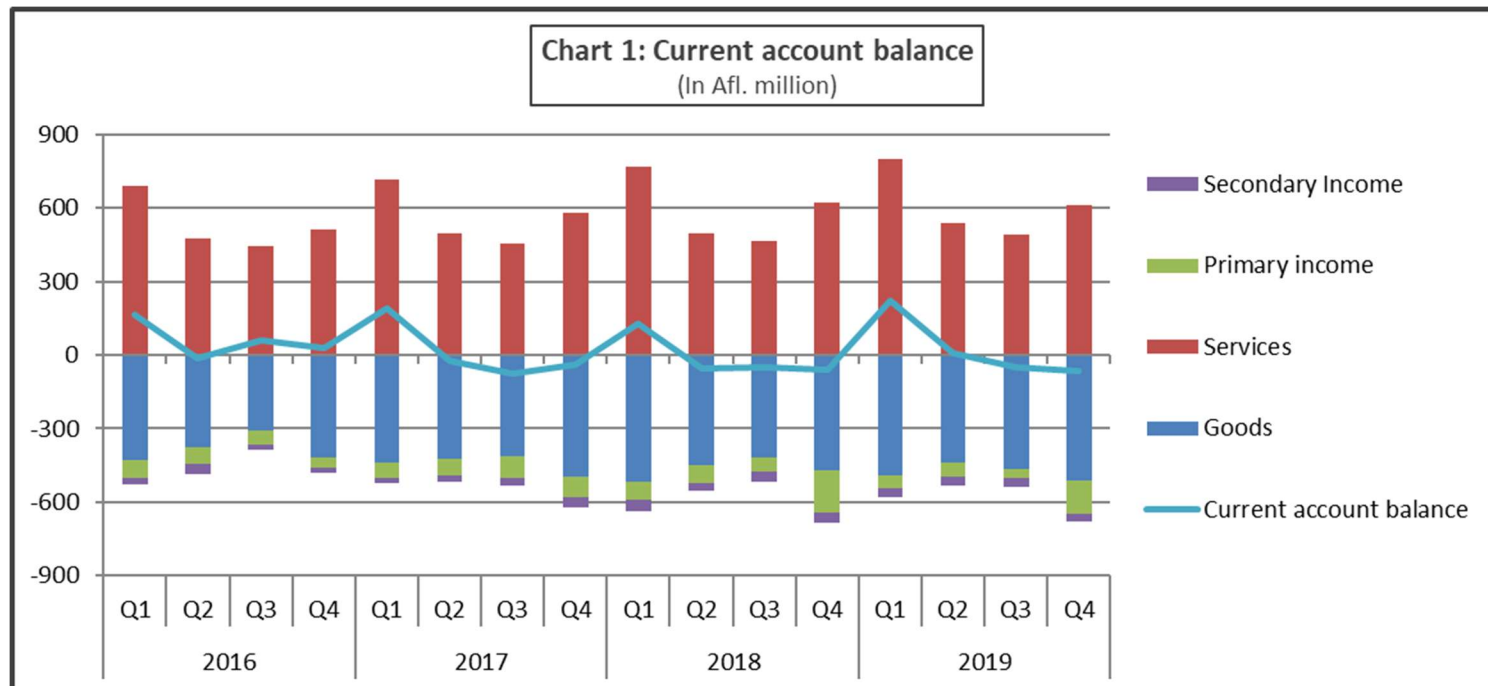
"De bezige bij", the busy bee representing the importance of a balanced and sustainable environment conducive to economic growth.



BALANCE OF PAYMENTS DEVELOPMENTS

Current account deficit in the fourth quarter of 2019 slightly higher compared to a year before

In the fourth quarter of 2019, the deficit on the current account of the balance of payments grew slightly by Afl.2.5 million to Afl. 64.6 million, compared to the fourth quarter of 2018. This growth resulted from an Afl. 45.5 million increase in the deficit on the goods account as well as from decreases in the income account deficit and the services account surplus of Afl. 54.0 million and Afl. 11.0 million, respectively (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the fourth quarter of 2019, the goods balance recorded a deficit of Afl. 514.8 million, an Afl. 45.5 million expansion, compared to the same period of 2018. This outcome was mainly caused by an Afl. 22.5 million decrease in exports (28.1 percent) and an Afl. 23.1 million growth in imports (4.2 percent) in the quarter under review, compared to the corresponding period of 2018. The drop in exports was mainly attributed to decreased goods procured in ports (bunkering).

Furthermore, the deficit on the income account fell by Afl. 54.0 million to Afl. 163.0 million. The reduction in the income account deficit was caused by declines in both the primary and secondary income account. The deficit on the primary income account dropped by Afl. 38.8 million to Afl. 133.8 million mainly because of lower dividend and intercompany interest payments to abroad (-Afl. 19.6 million), higher interest received from foreign investments (+Afl. 4.7 million), and lower interest payments on bonds by the government (Afl. 4.1 million). The secondary income account deficit noted a drop of Afl. 15.2 million largely caused by a contraction in insurance premium payments (-Afl. 11.5 million)).

Moreover, the services account surplus fell by Afl. 11.0 million, resulting from a higher increase in the import of services (+Afl. 20.2 million) than in the export of services (+Afl. 9.2 million) (Table 1). The growth in import of services was partly attributed to payments related to telecommunication, health and financial services (Afl. 9.1 million). The rise in export of services was greatly due to a 1.3 percent increase (+Afl. 12.5 million) in tourism credits¹ and higher receipts in connection with construction and other business services of Afl. 17.6 million. These receipts were offset by an Afl. 18.8 million contraction in other revenues from terminal activities, for which there was no activity in the quarter under review.

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. 65.7 million in the third quarter of 2019, compared to Afl. 48.4 million in the same quarter of a year earlier (-Afl. 17.2 million) (Table 2). This outcome was caused by an Afl. 178.7 million net expansion in financial liabilities (4th quarter of 2018: -Afl. 21.3 million), which was higher than the Afl. 113.0 million net increase in financial assets (4th quarter of 2018: -Afl. 69.7 million).

Net acquisition of financial assets

The net rise in financial assets in the fourth quarter of 2019 was mainly due to net increases in deposits on foreign bank accounts (+Afl. 153.1 million) and foreign loan received (+Afl. 30.5 million). These expansions were somewhat offset by decreases in reserves assets (-Afl. 40.8 million) and foreign investments (-Afl. 22.8 million) and intercompany receivables (-Afl. 8.0 million). The net increase in foreign bank deposits was brought about by both the banking sector (+Afl. 151.1 million) as well as the other sectors (+Afl. 2.0 million).

The drop in reserve assets was largely related to a reduction in portfolio investment (-Afl. 151.0 million), which was offset by a rise in deposits on foreign bank accounts (+Afl. 110.4 million). In the corresponding quarter of 2018, an Afl. 51.8 million net surge in reserve assets was recorded.

Net incurrence of financial liabilities

During the fourth quarter of 2019, the net growth in financial liabilities resulted mainly from net rises in third party lending (+Afl. 152.0 million), trade credits and advances (+Afl. 45.0 million), and deposits holdings (+Afl. 79.2 million). On the other hand, decreases were noted in portfolio investment (-Afl. 83.8 million) and intercompany lending (-Afl. 3.8 million). The rise in third party lending was related mainly to a number of projects (e.g. the airport, the utilities companies, and a new hotel).

Table 1: CURRENT AND CAPITAL ACCOUNTS			
<i>In Afl. million</i>	2018 Q4	2019 Q4	Changes
1. Goods	-469.3	-514.8	-45.5
Exports	80.1	57.6	-22.5
Imports	549.3	572.4	23.0
2. Services	624.2	613.2	-11.0
Credits	1,111.5	1,120.7	9.2
Debits	487.3	507.5	20.2
3. Primary income	-172.6	-133.8	38.8
4. Secondary income	-44.4	-29.2	15.2
CURRENT account balance (1+2+3+4)	-62.1	-64.6	-2.5
CAPITAL account balance	0.0	1.8	1.8
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	-62.1	-62.8	-0.7
Source: Centrale Bank van Aruba			

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2018 Q4	2019 Q4	Changes
Net acquisition of financial assets	-69.7	113.0	182.7
Direct investment	3.1	-9.3	-12.5
Portfolio investment	47.9	-22.8	-70.7
Financial derivatives	0.0	-0.7	-0.7
Other investment	-172.5	186.6	359.2
Reserve assets	51.8	-40.8	-92.6
Net incurrence of financial liabilities	-21.3	178.7	200.0
Direct investment	28.9	-2.9	-31.8
Portfolio investment	-41.2	-83.7	-42.5
Financial derivatives	-7.9	0.5	8.4
Other investment	-1.1	264.8	265.9
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	-48.4	-65.7	-17.2
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.