



BALANCE OF PAYMENTS DEVELOPMENTS

FIRST QUARTER OF 2020

October 13, 2020

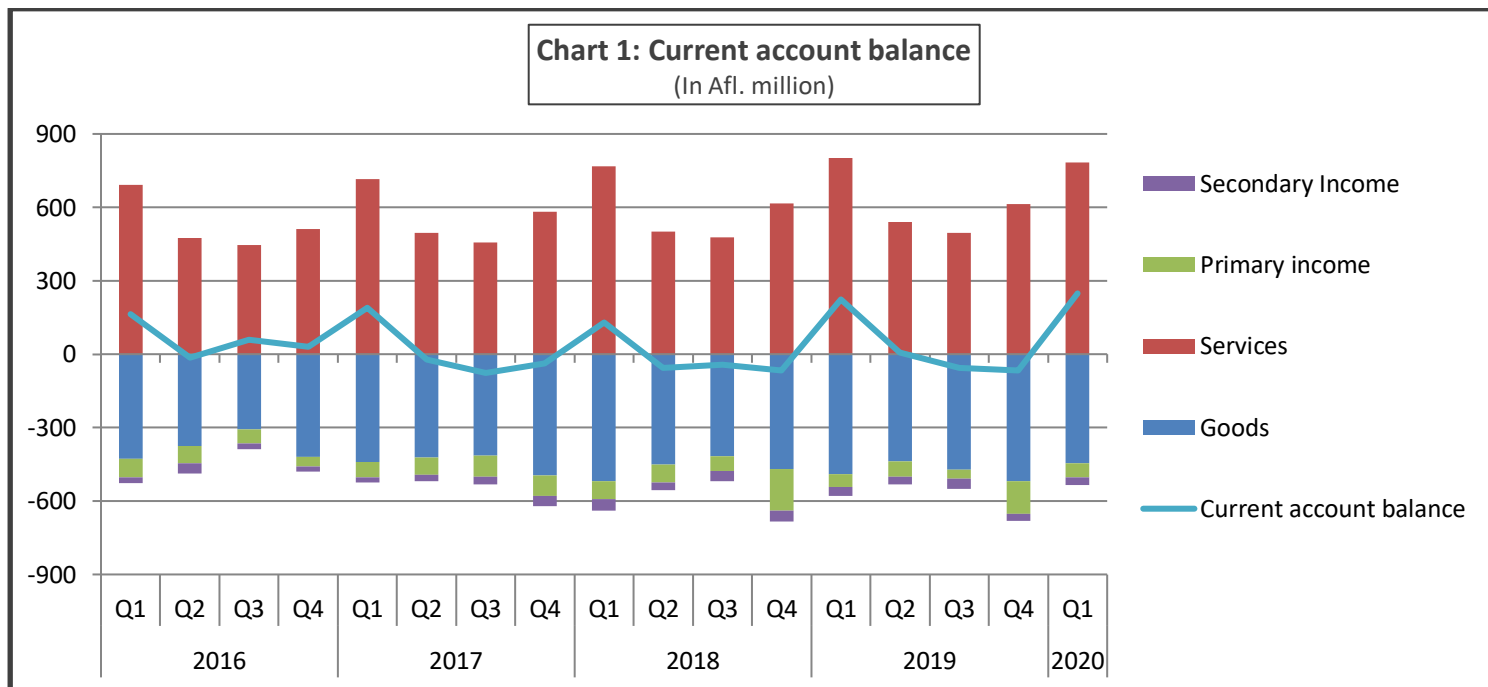


CENTRALE BANK VAN ARUBA

BALANCE OF PAYMENTS DEVELOPMENTS

Current account surplus in the first quarter of 2020 higher compared to a year earlier

In the first quarter of 2020, the surplus on the current account of the balance of payments grew by Afl. 25.7 million to Afl. 248.4 million, compared to the first quarter of 2019. This growth resulted from an Afl. 44.9 million decrease in the deficit on the goods account and an Afl. 19.0 million reduction in the services account surplus (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the first quarter of 2020, the goods account recorded a deficit of Afl. 445.6 million, an Afl. 44.9 million contraction compared to the same period of 2019. This outcome was mainly caused by an Afl. 39.1 million decrease in imports (-7.1 percent) and an Afl. 5.8 million increase in exports (+9.4 percent) in the quarter under review, compared to the corresponding period of 2019. The decline in imports was mainly attributed to lower import of consumer goods and oil products. In addition, the increase in export was caused by a rise in oil bunkering.

The services account surplus fell by Afl. 19.0 million, resulting from decreases in both the export (-Afl. 33.2 million) and import of services (-Afl. 14.1 million) (Table 1). The contraction in export of services was mostly attributed to a 7.0 percent decrease in tourism travel¹ (-Afl. 77 million) and a reduction in revenues from terminal activities (-Afl. 16.3 million). On the other hand, financial services (+Afl. 34.9 million) and other business services (+Afl. 12.8 million) increased this quarter relatively to the first quarter of 2019. The decline in import of services was primarily due to health-related services (-Afl. 11.4 million).

Furthermore, the deficit on the income account grew slightly by Afl. 0.2 million to Afl. 88.4 million. The slight growth in the income account deficit resulted from an increase in the deficit on the primary income account and a decrease in the deficit on the secondary income account. The deficit on the primary income account rose by Afl. 6.8 million to Afl. 57.9 million, mainly because of a higher outflow of dividend and distributed profits of foreign investments. The secondary income account deficit registered a decrease of Afl. 6.6 million, largely caused by a contraction in insurance premium payments.

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. 246.0 million in the first quarter of 2020, compared to Afl. 215.5 million in the same quarter of a year earlier (+Afl. 30.4 million) (Table 1). This outcome resulted from an Afl. 164.5 million net increase in financial assets (1st quarter of 2019: +Afl. 210.0 million) and an Afl. 81.5 million net contraction in financial liabilities (1st quarter of 2019: -Afl. 5.6 million).

Net acquisition of financial assets

The net increase in financial assets was mainly due to a growth in other investments as deposits on foreign bank accounts grew by Afl. 91.8 million. In addition, reserve assets rose through higher investments in foreign bonds (+Afl. 73.0 million), and direct investment assets increased through foreign intercompany receivables (+Afl. 24.7 million).

Net incurrence of financial liabilities

During the first quarter of 2020, the net contraction in financial liabilities resulted primarily from other investments (-Afl. 76.2 million) and portfolio investments (-Afl. 52.6million). Foreign deposits held at the local banks contracted by Afl. 73.7 million), while debt securities declined by Afl. 52.6 million. In contrast, an increase was noted in direct investment, mainly caused by a rise in capital contribution from abroad (+Afl. 47.3 million).

| Table 1: CURRENT AND CAPITAL ACCOUNTS | | | |
|---|----------------|----------------|----------------|
| <i>In Afl. million</i> | 2019 Q1 | 2020 Q1 | Changes |
| 1. Goods | -490.5 | -445.6 | 44.9 |
| Exports | 61.6 | 67.5 | 5.8 |
| Imports | 552.2 | 513.1 | -39.1 |
| 2. Services | 801.4 | 782.4 | -19.0 |
| Credits | 1,241.8 | 1,208.6 | -33.2 |
| Debits | 440.3 | 426.2 | -14.2 |
| 3. Primary income | -51.1 | -57.9 | -6.8 |
| 4. Secondary income | -37.1 | -30.5 | 6.6 |
| CURRENT account balance (1+2+3+4) | 222.7 | 248.4 | 25.7 |
| CAPITAL account balance | 0.2 | -3.3 | -3.5 |
| NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS | 222.8 | 245.1 | 22.2 |
| Source: Centrale Bank van Aruba | | | |

| Table 2: FINANCIAL ACCOUNT | | | |
|--|----------------|----------------|----------------|
| <i>In Afl. million</i> | 2019 Q1 | 2020 Q1 | Changes |
| Net acquisition of financial assets | 210.0 | 164.5 | -45.5 |
| Direct investment | 46.2 | 24.2 | -22.0 |
| Portfolio investment | 66.1 | 1.1 | -64.9 |
| Financial derivatives | -0.9 | -3.0 | -2.1 |
| Other investment | -12.9 | 76.5 | 89.4 |
| Reserve assets | 111.6 | 65.7 | -45.9 |
| Net incurrence of financial liabilities | -5.6 | -81.5 | -75.9 |
| Direct investment | -10.2 | 47.3 | 57.5 |
| Portfolio investment | 42.7 | -52.6 | -95.3 |
| Financial derivatives | 0.0 | 0.0 | 0.0 |
| Other investment | -38.1 | -76.2 | -38.1 |
| NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT | 215.5 | 246.0 | 30.4 |
| 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.



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