



CENTRALE BANK VAN ARUBA

Aruban economy severely distressed due to COVID-19

Press release

December 17, 2020

Today the Centrale Bank van Aruba (CBA) published the State of the Economy for the first half of 2020. This publication provides a synopsis of the local and international economic developments of this period. The domestic highlights are presented below, including a summary of main economic indicators.

Sharp economic contraction in first half of 2020

Available indicators echo the sharp contraction of the Aruban economy in the first half of 2020. The onset of this development took place as of the end of the first quarter, continuing into the second quarter, and was mainly driven by a severe drop in tourism income resulting from the impact of the COVID-19 pandemic. Despite financial support and social assistance of the government, both consumption and investment indicators pointed to anemic economic conditions during the first two quarters of 2020. Initial estimates of quarterly GDP growth indicate a contraction of, respectively, 4.9 percent and 34.6 percent during the first and second quarter of 2020.

Narrowing of the merchandise trade deficit

Aruba's merchandise trade deficit amounted to Afl. 774.8 million in the first 6 months of 2020, a 22.6 percent decrease compared to the same period of the previous year. The smaller trade deficit was the result of imports falling more than the export of goods. The developments in merchandise trade reflected, in part, a significant fall-off in economic activity and consumption due to 'shelter in place' measures aimed at stopping the spread of COVID-19.

Net borrowing on the financial account offsets current account deficit

The current account of the balance of payments recorded an Afl. 83.1 million deficit in the first half of 2020. The year-to-date current account deficit represented a sharp decline of Afl.

333.7 million from a surplus of Afl. 250.6 million in the first half of 2019. This contraction was primarily due to the surplus on the services account falling by Afl. 625.6 million, following the unprecedented plunge in tourism credits related to the COVID-19 travel restrictions.

The financial account resulted in a net borrowing of Afl. 106.4 million in the first half of 2020. The financial account outcome in the period under review was primarily due to a net inflow of Afl. 205.3 million related to the provision of financial support from the Netherlands to the government of Aruba.

Broadening of Money Supply

Money supply stood at Afl. 4,761.5 million at the end of the second quarter of 2020, Afl. 192.7 million higher than the end of 2019. The expansion in money supply was the result of an Afl. 255.2 million hike in international reserves, which was partially offset by an Afl. 62.5 million contraction in net domestic assets.

Worsening of the fiscal deficit

The government's financial situation (on a cash basis) worsened during the first six months of 2020, compared to the same period a year before. The financial deficit of the Government of Aruba accelerated to Afl. 301.1 million in the first half of 2020, compared to an Afl. 54.1 million surplus a year earlier. The deterioration of the government's financial situation was largely on account of the impact of COVID-19, which caused widespread decreases in government revenue streams, in addition to surges in government expenditures related to the aforementioned financial support and social assistance by the government. Consequently, the debt-to-GDP ratio expanded from 73.7 percent (December 2019) to 93.5 percent (June 2020).

Table: Main economic indicators

	2019 Jan-Jun	2020 Jan-Jun	Change	% Change
Revenue per available room (RevPAR) (US\$)	258	126	-132	-51.0
Stay-over visitors (numbers)	575,649	228,752	-346,897	-60.3
Cruise visitors (numbers)	435,112	255,384	-179,728	-41.3
Construction permits (Afl. million)	186.8	322.2	135.4	72.6
Imports of machinery and electrotechnical equipment (Afl. million)	154.3	130.9	-23.4	-15.2
Cement imports (weight)	26,292	16,305	-9,987	-38.0
Import of goods (Afl. million)	1,047.2	800.6	-246.6	-23.5
Import of base metals and derivated work	43.9	33.8	-10.1	-23.0
Turnover tax receipts (Excl. BAVP, in Afl. million)	109.1	82.7	-26.4	-24.2
Taxes on income and profit (Afl. million)	251.9	179.2	-72.7	-28.9
Twelve-month average rate of inflation (percent)	4.3	3.6		-0.7*
Government debt-to-GDP (ratio)	74.9	93.5		18.6*

Sources: CBA, AHATA, ATA, CBS.

* Changes are percentage points

The complete publication is available on the CBA's website (www.cbaruba.org).