



# BALANCE OF PAYMENTS DEVELOPMENTS

THIRD QUARTER OF 2020

March 26, 2021

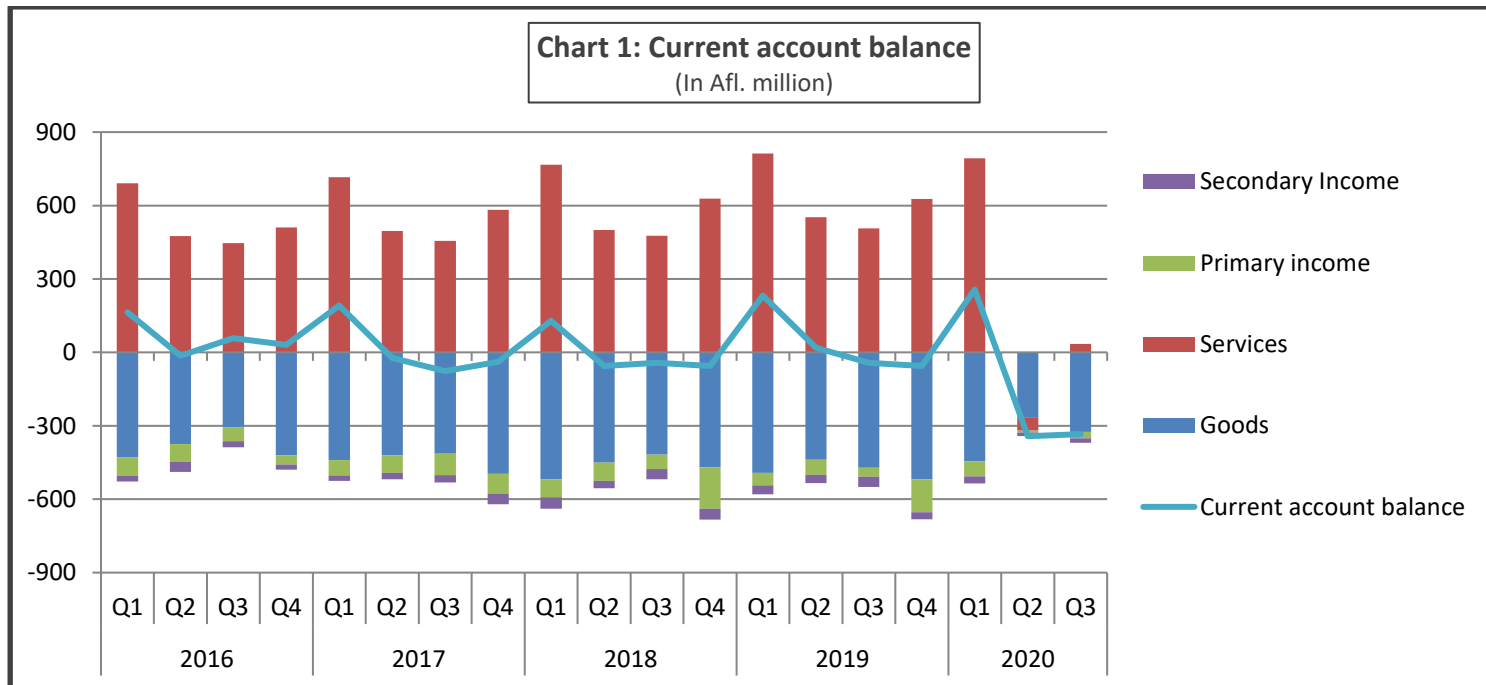


**CENTRALE BANK VAN ARUBA**

## BALANCE OF PAYMENTS DEVELOPMENTS

### Current account deficit grew in the third quarter of 2020

In the third quarter of 2020, the current account deficit of the balance of payments increased by Afl. 291.5 million to Afl. 334.6 million (Q3 2019; -Afl. -43.1 million). The expansion resulted from an Afl. 471.9 million decrease in the surplus on the services account and contractions in the deficits on the goods account (-Afl. 146.8 million) and the income account (-Afl. 33.7 million) (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

## Current and capital accounts

The goods account recorded a deficit of Afl. 325.1 million, a 31.1 percent decrease compared to the third quarter of 2019. This outcome was mainly caused by decreases of Afl. 174.5 million (in imports -32.8 percent) and of Afl. 27.8 million (in exports -46.0 percent).

The services account surplus of Afl. 506.3 million in the third quarter of 2019 fell to Afl. 34.3 million during the third quarter of 2020. This resulted from an Afl. 626.3 million contraction in the export of services to Afl. 352.6 million and an Afl. 154.4 million decrease in import of services to Afl. 318.3 million (Table 1).

The contraction in export of services was mostly attributed to an Afl. 566.2 million or 68.8 percent decrease in tourism credits<sup>1</sup>, an Afl. 48.7 million reduction in other transport services, and an Afl. 10.2 million contraction in other services.

The decline in import of services was due to decreases in other services (-Afl. 80.6 million) and travel services (Afl. -50.3 million). Transport services also contracted by Afl. 23.5 million, due to reductions of Afl. 14.6 million in freight services and Afl. 8.9 million in other transport services.

Furthermore, the deficit in the income account shrank with Afl. 33.7 million to Afl. 43.9 million. The primary income deficit declined to Afl. 26.0 million, mostly due to less outgoing payments in connection with dividends and interest. The deficit on secondary income contracted by Afl. 23.1 million to Afl. 17.9 million, because of lower transfers to abroad in connection with personal transfers and social contributions and benefits.

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<sup>1</sup> 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. 329.3 million in the third quarter of 2020 (Table 2). This outcome resulted from an Afl. 169.0 million net decrease in financial assets (Q3 2019: -Afl. 87.8 million) and an Afl. 160.3 million net increase in financial liabilities (Q3 2019: -Afl. 40.2 million).

### **Net acquisition of financial assets**

The net increase in financial assets was due to a fall in other investment assets (-Afl. 115.5 million), portfolio investment assets (-Afl. 58.8 million), and reserve assets (-Afl. 11.4 million). Other investment assets mainly fell due to the decreases in currency and deposits held by the commercial banks (-Afl. 101.3 million), and loans by other sectors (-Afl. 11.7 million). The drop in portfolio investment assets was caused by an Afl. 61.9 million net decrease in investments in securities abroad. Currency and deposits held abroad by the Central Bank decreased by Afl. 20.5 million, while investments in securities abroad increased by Afl. 9.5 million. On the other hand, direct investment increased by Afl. 18.4 million, mainly due to a rise in intercompany lending (+Afl. 21.4 million).

### **Net incurrence of financial liabilities**

The net increase in financial liabilities resulted primarily from surges in portfolio investment liabilities (+Afl. 111.1 million), due to a growth in government debt securities, and direct investment liabilities (Afl. 63.1 million). The increase in direct investment liabilities was due to a rise in intercompany lending (+Afl. 25.1 million), equity investment (Afl. 20.0 million), and real estate investment (+Afl. 18.1 million). In contrast, decreases were noted in other investment liabilities, particularly in loans (-Afl. 26.1 million), and financial derivatives (-Afl. 2.3 million).

<b>Table 1: CURRENT AND CAPITAL ACCOUNTS</b>			
<i>In Afl. million</i>	<b>2019 Q3</b>	<b>2020 Q3</b>	<b>Changes</b>
<b>1. Goods</b>	<b>-471.8</b>	<b>-325.1</b>	<b>146.8</b>
Exports	60.3	32.6	-27.8
Imports	532.2	357.6	-174.5
<b>2. Services</b>	<b>506.3</b>	<b>34.3</b>	<b>-471.9</b>
Credits	978.9	352.6	-626.3
Debits	472.7	318.3	-154.4
<b>3. Primary income</b>	<b>-36.6</b>	<b>-26.0</b>	<b>10.6</b>
<b>4. Secondary income</b>	<b>-41.0</b>	<b>-17.9</b>	<b>23.1</b>
<b>CURRENT account balance (1+2+3+4)</b>	<b>-43.1</b>	<b>-334.6</b>	<b>-291.5</b>
<b>CAPITAL account balance</b>	<b>0.8</b>	<b>10.9</b>	<b>10.1</b>
<b>NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS</b>	<b>-42.3</b>	<b>-323.8</b>	<b>-281.4</b>
Source: Centrale Bank van Aruba			

<b>Table 2: FINANCIAL ACCOUNT</b>			
<i>In Afl. million</i>	<b>2019 Q3</b>	<b>2020 Q3</b>	<b>Changes</b>
<b>Net acquisition of financial assets</b>	<b>-87.8</b>	<b>-169.0</b>	<b>-81.2</b>
Direct investment	21.1	18.4	-2.7
Portfolio investment	46.1	-58.8	-104.9
Financial derivatives	-1.0	-1.7	-0.7
Other investment	-102.1	-115.5	-13.5
Reserve assets	-52.0	-11.4	40.6
<b>Net incurrence of financial liabilities</b>	<b>-40.2</b>	<b>160.3</b>	<b>200.5</b>
Direct investment	-45.8	63.1	108.9
Portfolio investment	-3.1	111.1	114.2
Financial derivatives	0.0	-2.3	-2.3
Other investment	8.7	-11.6	-20.3
<b>NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT</b>	<b>-47.6</b>	<b>-329.3</b>	<b>-281.7</b>
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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