



# BALANCE OF PAYMENTS DEVELOPMENTS

FOURTH QUARTER OF 2020

April 23, 2021

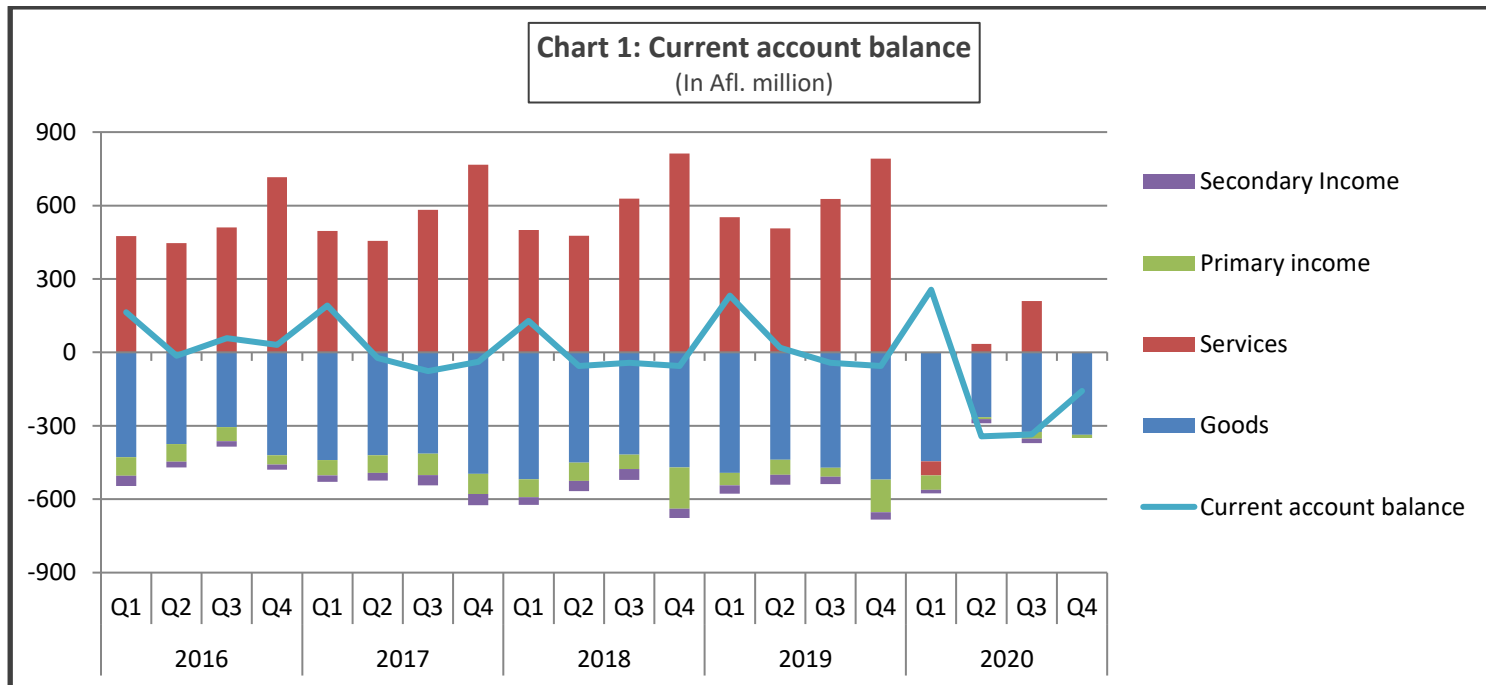


**CENTRALE BANK VAN ARUBA**

## BALANCE OF PAYMENTS DEVELOPMENTS

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

In the fourth quarter of 2020, the current account deficit of the balance of payments increased by Afl. 101.5 million to Afl. 157.6 million (Q4 2019; -Afl. -56.1 million). The expansion resulted from an Afl. 416.2 million decrease in the surplus on the services account and declines in the deficits on the goods account (-Afl. 182.2 million) and the income account (-Afl. 132.6 million) (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

## Current and capital accounts

The goods account recorded a deficit of Afl. 337.2 million, a 35.1 percent decrease compared to the fourth quarter of 2019. This outcome was mainly caused by a drop of Afl. 197.5 million (-34.2 percent) in imports that was somewhat offset by an Afl. 15.3 million (-26.6% percent) decrease in exports.

The services account surplus of Afl. 626.4 million in the fourth quarter of 2019 fell to Afl. 210.1 million during the fourth quarter of 2020. This resulted from an Afl. 538.8 million contraction in export of services to Afl. 591.1 million and an Afl. 122.5 million decrease in import of services to Afl. 381.0 million (Table 1).

The contraction in export of services was mostly attributed to an Afl. 497.5 million or 51.3 percent decrease in tourism credits<sup>1</sup>, an Afl. 25.1 million reduction in other transport services, and an Afl. 15.0 million contraction in other services.

The decline in import of services was partially due to the decrease in other services (-Afl. 71.5 million). Transport services also contracted by Afl. 27.9 million, due to reductions of Afl. 20.3 million in freight services and Afl. 7.5 million in other transport services. Travel services declined with Afl. 23.2 million, caused by tourism (-Afl. 15.6 million) and other travel services (-Afl. 7.6 million).

Furthermore, the deficit in the income account shrank by Afl. 132.6 million to Afl. 30.5 million. The primary income deficit declined by Afl. 121.1 million to Afl. 12.8 million, mostly due to less outgoing payments in connection with dividends and interest. The deficit on secondary income contracted by Afl. 11.5 million to Afl. 17.7 million, because of lower government taxes and social benefits/contributions, transfers to abroad in connection with personal transfers and other current transfers.

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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. 140.0 million in the fourth quarter of 2020 (Table 2). This outcome resulted from an Afl. 205.6 million net increase in financial liabilities (Q4 2019: +Afl. 183.3 million), and an Afl. 65.6 million net increase in financial assets (Q4 2019: +Afl. 133.8 million).

## **Net incurrence of financial liabilities**

The net increase in financial liabilities resulted primarily from a surge in other investment, due to a growth in government loans (+Afl. 181.6 million), which was partly mitigated by decreases in currency and deposits held by the commercial banks and other liabilities of Afl. 54.5 million and Afl. 8.8 million, respectively. In addition, direct investment liabilities expanded due to increases in equity investment (+Afl. 19.4 million), real estate investment (+Afl. 17.6 million), and intercompany lending (+17.4 million). Also, portfolio investment liabilities grew (+Afl. 34.5 million) due to a rise in government debt securities.

## **Net acquisition of financial assets**

The net increase in financial assets was due to a rise in other investment assets (+Afl. 72.5 million) and reserve assets (+Afl. 20.5 million). Other investment assets increased mainly due to the currency and deposits held abroad by the commercial banks and companies with foreign bank accounts (+Afl. 39.4 million), loans by other sectors (+Afl. 14.7 million), and other assets (+Afl. 15.7 million). Furthermore, the reserve assets grew because of an increase in long-term debt securities (+Afl. 293.6 million) that was largely offset by a decrease in currency and deposits held abroad by the central bank (-Afl. 274.4 million). On the other hand, direct investment decreased by Afl. 16.0 million, mainly due to a decline in intercompany lending. The contraction in portfolio investment assets was caused by an Afl. 11.3 million net decrease in investments in securities abroad.

<b>Table 1: CURRENT AND CAPITAL ACCOUNTS</b>			
<i>In Afl. million</i>	<b>2019 Q4</b>	<b>2020 Q4</b>	<b>Changes</b>
<b>1. Goods</b>	<b>-519.4</b>	<b>-337.2</b>	<b>182.2</b>
Exports	57.6	42.3	-15.3
Imports	577.0	379.5	-197.5
<b>2. Services</b>	<b>626.4</b>	<b>210.1</b>	<b>-416.2</b>
Credits	1,129.9	591.1	-538.8
Debits	503.5	381.0	-122.5
<b>3. Primary income</b>	<b>-133.8</b>	<b>-12.8</b>	<b>121.1</b>
<b>4. Secondary income</b>	<b>-29.3</b>	<b>-17.7</b>	<b>11.5</b>
<b>CURRENT account balance (1+2+3+4)</b>	<b>-56.1</b>	<b>-157.6</b>	<b>-101.5</b>
<b>CAPITAL account balance</b>	<b>1.8</b>	<b>10.8</b>	<b>9.0</b>
<b>NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS</b>	<b>-54.3</b>	<b>-146.8</b>	<b>-92.4</b>
Source: Centrale Bank van Aruba			

<b>Table 2: FINANCIAL ACCOUNT</b>			
<i>In Afl. million</i>	<b>2019 Q4</b>	<b>2020 Q4</b>	<b>Changes</b>
<b>Net acquisition of financial assets</b>	<b>133.8</b>	<b>65.6</b>	<b>-68.2</b>
Direct investment	-4.4	-16.0	-11.6
Portfolio investment	-24.3	-11.3	12.9
Financial derivatives	-0.7	-0.1	0.6
Other investment	204.0	72.5	-131.5
Reserve assets	-40.8	20.5	61.4
<b>Net incurrence of financial liabilities</b>	<b>183.3</b>	<b>205.6</b>	<b>22.3</b>
Direct investment	-2.8	54.4	57.3
Portfolio investment	-83.7	34.5	118.2
Financial derivatives	0.5	-1.6	-2.1
Other investment	269.4	118.3	-151.1
<b>NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT</b>	<b>-49.5</b>	<b>-140.0</b>	<b>-90.5</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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