CENTRALE BANK VAN ARUBA

Economic output exceeded pre-pandemic levels in 2022

Press release

May 30, 2023

Today, the Centrale Bank van Aruba (CBA) published the State of the Economy report for the fourth quarter of 2022. The publication contains a review and analysis of national and international economic developments. The highlights of this publication are presented below.

In 2022, estimated real economic output surpassed pre-pandemic levels. The 9.6 percent growth in real Gross Domestic Product (GDP) was mainly the result of a solid tourism performance. In 2022, nearly all tourism-related indicators, except for the average length of stay, improved compared to the previous year (Table 1). The number of stay-over visitors (+36.5 percent), total visitor nights (+33.0 percent), and tourism revenue (+36.6 percent) surged in 2022. Driven by this buoyant performance, the hotel occupancy rate reached 75.0 percent, while the average RevPAR strengthened to USD 231.9 at the end of 2022, up from 56.5 percent and USD 147.0 in 2021, respectively.

Table 1: Tourism indicators for Aruba

2022 vs. 2021

	2021	2022
Stay-over visitors	806,555	1,100,997
Average length of stay (in days)	7.5	7.3
Total visitor nights	6,017,340	8,004,242
Cruise visitors	135,953	610,474
Hotel occupancy rate (%)	56.5	75.0
Average daily rate (in USD)	260.0	309.0
Revenue per available room (in USD)	147.0	231.9
Tourism revenue per night (in Afl.)	438.2	449.9
Tourism revenue* (in Afl. million)	2643.1	3,611.1.0

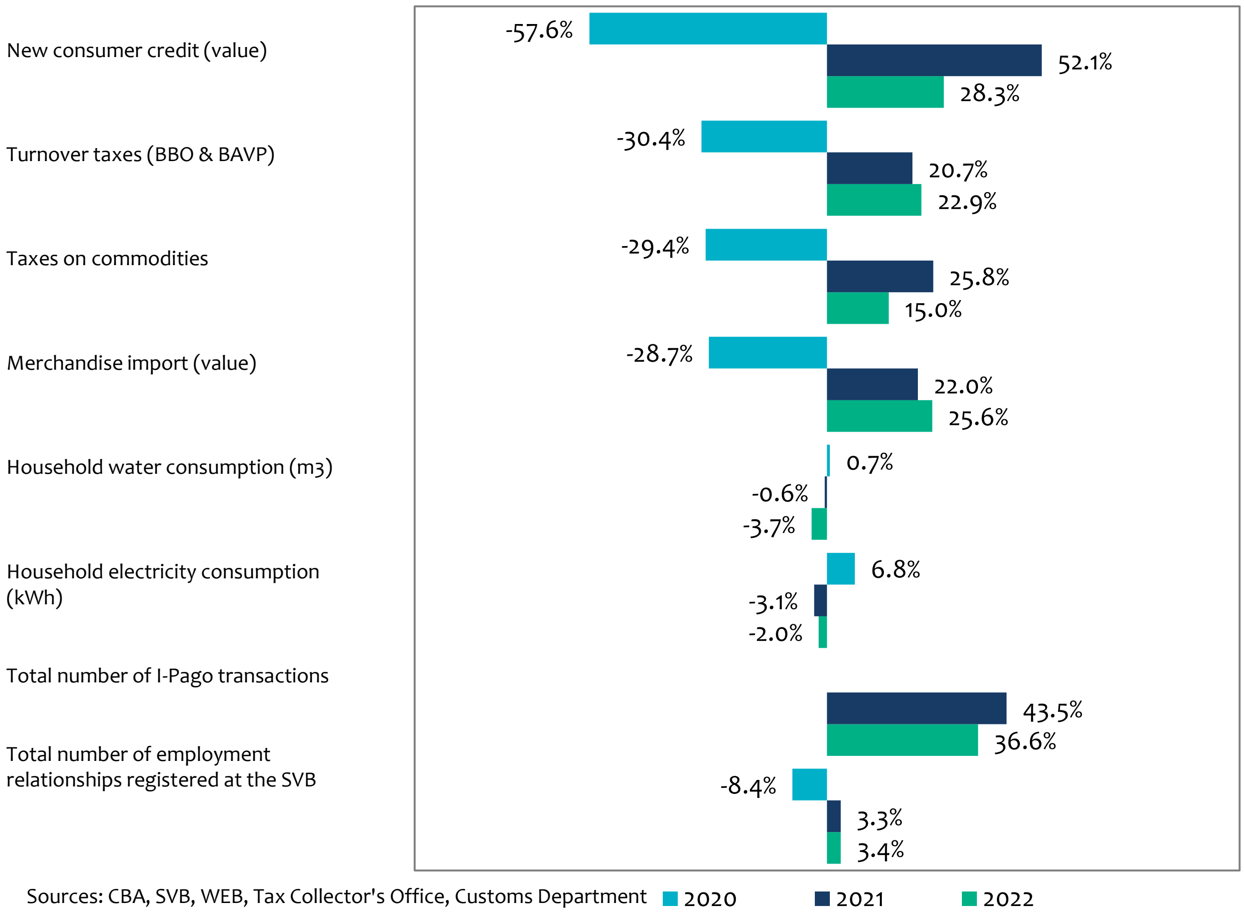
Sources: CBA, ATA, AHATA, APA, CTO, STR
*Only those registered at local commercial banks, available data at the time of writing. For the complete and final data please visit [Quarterly tables publications - Centrale Bank van Aruba (cbaruba.org)]

The increased local demand for goods and services pushed up real private consumption, thereby also contributing to real GDP growth. Most consumption-related indicators mirrored this development (Chart 1). Income from taxes on commodities and the turnover tax (BBO/BAVP) expanded due to heightened economic activity and higher prices throughout 2022. Furthermore, data from local commercial banks showed that new consumer credit loans, both in number and value, grew compared to 2021. The total number of employment relationships[1] registered at SVB also jumped, indicating gains in the labor market conditions, consistent with the observed performance of the tourism sector.

[1] Employment contract data registered at Estadistica | (svbaruba.org)

J.E. Irausquin Boulevard 8 P.O. Box 18 Oranjestad Aruba Tel. nr.: (297) 525-2100 Fax nr.: (297) 525-2101
E-mail: informationcenter@cbaruba.org Website: www.cbaruba.org

Chart 1: Consumption-related indicators
(YTD December 2022 vs. YTD December 2021)



Sources: CBA, SVB, WEB, Tax Collector's Office, Customs Department

During 2022, most investment-related indicators improved compared to 2021; however, these gains were primarily inflation-driven. Both housing mortgages and the import of construction-related materials were boosted in 2022. The development in the import of construction-related materials marked the first uptick after the COVID-19 pandemic. Data from the Business Perception Survey (BPS) aligned with the investment-related indicators as the derived average Investment Index rose from 100.7 in 2021 to 105.5 in 2022, indicating an optimistic business sentiment since the second quarter of 2021.

Increased utility tariffs and higher gasoline, food, as well as car prices drove the 12-month average inflation to 5.5 percent at the end of 2022, up from 0.7 percent at the end of 2021. Meanwhile, the 12-month average core inflation continued its steady rise since October 2021, reaching 2.2 percent at the end of 2022.

International transactions settled through the banking sector led to a net foreign exchange inflow of Afl. 223.4 million in 2022 (Table 2). This outcome was related to a net inflow on the current account, which was boosted by tourism sector activities. The current account surplus was offset in part by recorded net outflows on the financial and capital accounts following the lifting of the pandemic-related capital restrictions.

Table 2: Balance of payments (in Afl. Million)

	2021	2022
Current account	83.8	473.2
Goods	-1,673.4	-2,099.9
Services	1,874.0	2,719.4
Primary income	-109.7	-160.2
Secondary income	-7.0	13.9
Capital account	29.3	-10.4
Financial account	777.4	-187.2
Direct investment	136.7	205.0
Portfolio investment	-57.4	-312.3
Financial derivatives	59.2	-6.4
Other investment	442.6	-61.2
Foreign accounts	196.3	-19.1
Items not yet classified	-59.0	-52.1
Change in international reserves (excluding revaluation differences)	831.5	223.4

Source: CBA

In 2022, finance data of the government marked a significant improvement in its financial position, as the fiscal deficit narrowed to Afl. 47.5 million, down from Afl. 494.8 million in 2021. This reduction resulted from an upturn in government revenues, paired with a contraction in government expenditures. These positive developments mirrored a solid economic performance driven by the sustained recovery of the tourism sector, as well as the halting of the government's COVID-19 related financial assistance programs to individuals and businesses.

Available data showed that government debt expanded by Afl. 62.0 million to Afl. 5,717.6 million in December 2022 compared to December 2021. Since the second quarter of 2020, the pandemic caused a steady climb in government debt quarter-on-quarter. However, the continued strong economic recovery and discontinuation of the COVID-19 assistance programs led to a significant reduction in the GoA's liquidity needs and subsequent borrowing needs in 2022. Despite the higher debt level, economic growth resulted in a decline in the estimated debt-to-GDP ratio, as it stood at 88.3 percent, down from 100.9 percent at the end of 2021.

The complete publication is available on the CBA's website (*https://www.cbaruba.org/document/state-of-the-economy*).