

Quarterly Economic Bulletin Government Sector Q1 2023

July 4, 2023



CENTRALE BANK VAN ARUBA

Cover design:

Our golden tree, our Kibrahacha. Resilient, firmly rooted, and gives a beautiful bloom.

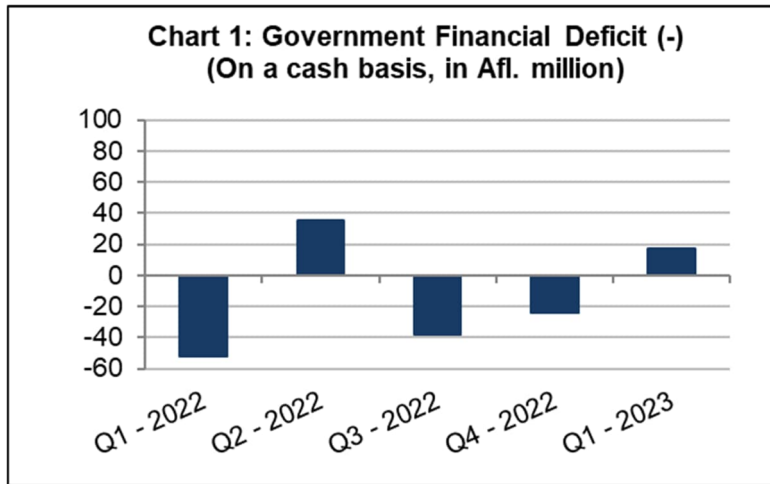
It offers us shade and protection if needed. When it breaks out, it displays an overwhelming yellow, illustrating a brighter and bolder future.

The full text of this report is available on the CBA website.

The government's financial deficit turned into a surplus in the first quarter of 2023

Quarterly economic bulletin
Results for the first quarter of 2023

The government's financial deficit¹ of Afl. 52.0 in the first quarter of 2022 turned into a surplus of Afl. 16.9 million in the quarter under review (see Chart 1 and Table 1). The government recorded Afl. 5,763.2 million in outstanding debt at the end of March 2023, i.e., Afl. 249.8 million less than at the end-March 2022.



Source: Department of Finance; Tax Collector's Office; CBA.

¹ The financial deficit is calculated according to the compilation method of the CBA and may differ from third-party publications using an accrual method of compilation.

Table 1: Government Financial Deficit
(Afl. million)

Period	Cash
Q1 - 2022	-52.0
Q2 - 2022	35.2
Q3 - 2022	-38.1
Q4 - 2022	-24.4
Q1 - 2023	16.9

Source: Department of Finance; Tax Collector's Office; CBA.

Financial operations

The government's total revenue expanded by Afl. 88.0 million to Afl. 359.2 million in the first quarter of 2023, compared to the first quarter of 2022 (see Chart 2 and Table 2). This growth resulted from increases in both tax revenue and nontax revenue, of Afl. 73.6 million and Afl. 14.4 million, respectively. The increase in tax revenue was

due mainly to higher income from turnover tax (+Afl. 24.4 million), hotel room tax (+Afl. 14.0 million), import duties (+Afl. 11.1 million), income tax (+Afl. 10.2 million), wage tax (+Afl. 8.0 million), and foreign exchange tax (+Afl. 6.7 million). In contrast, income from excises on tobacco (- Afl. 4.8 million) and transfer tax (-Afl. 4.6 million) decreased.

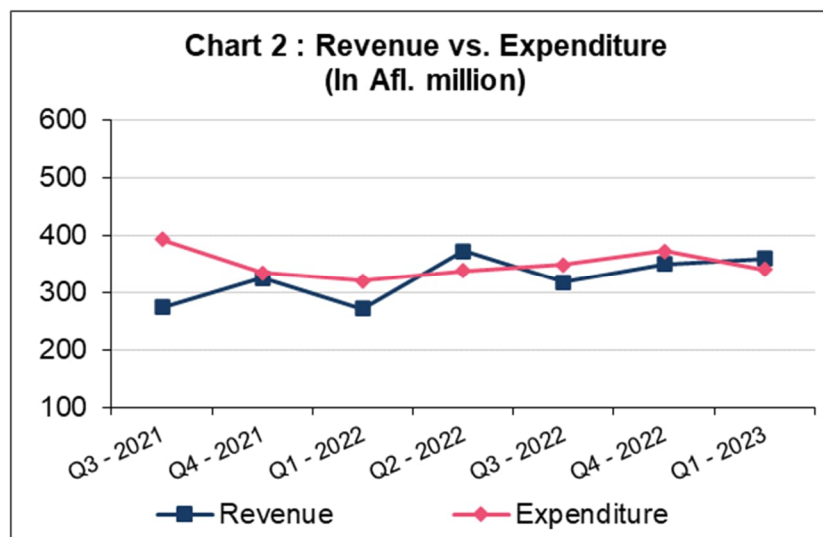
Total government expenditure grew by Afl. 20.2 million to Afl. 339.9 million in the first quarter of 2023, compared to the same quarter of 2022. The upturn resulted primarily from higher spending on wage subsidies (+Afl. 13.5 million), goods and services (+Afl. 8.3 million), interest (+Afl. 3.3 million), and wages (+Afl. 2.8 million). In contrast, transfer and subsidies (-Afl. 10.1 million) declined.

Table 2: Revenue vs. Expenditure
(in Afl. million)

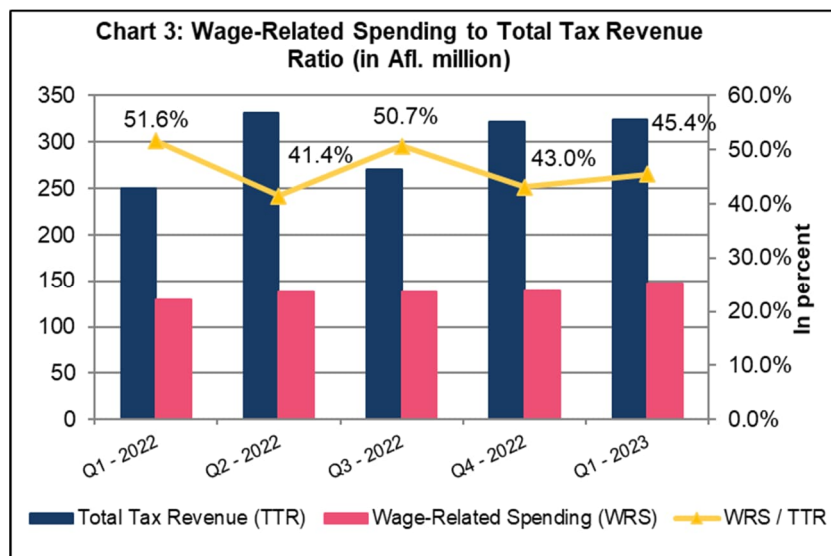
Period	Revenue	Expenditure
Q1 - 2022	271.2	319.7
Q2 - 2022	372.4	337.6
Q3 - 2022	318.0	348.7
Q4 - 2022	349.9	372.3
Q1 - 2023	359.2	339.9

Source: Department of Finance; Tax Collector's Office; CBA.

The government's wage-related spending increased by Afl. 18.0 million to Afl. 146.9 million in the quarter under review, mainly because of an increase in wage subsidies (+13.5 million). In the first quarter of 2023, the wage-related outlays to total-tax-revenue ratio noted a decrease of 6.2 percentage points to 45.4 percent, down from 51.6 percent in the previous year's first quarter (see Chart 3 and Table 3).



Source: Department of Finance; Tax Collector's Office; CBA.



Source: Department of Finance; Tax Collector's Office; CBA.

Table 3: Wage-Related Spending (WRS) to Total Tax Revenue (TTR) Ratio (in Afl. million)

Period	Total Tax Revenue	Wage-Related Spending	WRS / TTR
Q1 - 2022	250.0	128.9	51.6%
Q2 - 2022	331.1	137.1	41.4%
Q3 - 2022	270.5	137.1	50.7%
Q4 - 2022	321.4	138.3	43.0%
Q1 - 2023	323.6	146.9	45.4%

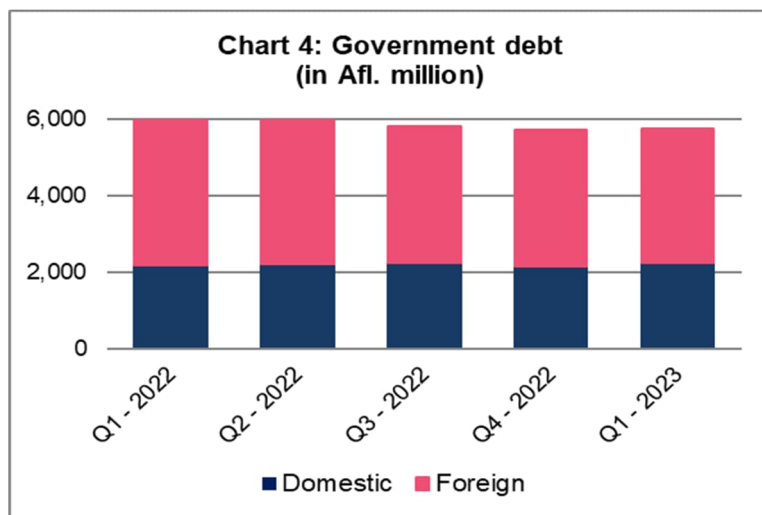
Source: Department of Finance; Tax Collector's Office; CBA.

Outstanding debt

The government's total outstanding debt dropped by Afl. 249.8 million or 4.2 percent to Afl. 5,763.2 million at end-March 2023, compared to the end of March 2022 (see Chart 4 and Table 4). This decrease resulted from lower foreign debt (-Afl. 302.9 million) and higher domestic debt (+Afl. 53.1 million).

The drop in foreign debt resulted mainly from declines in claims of the United States and other countries by Afl. 179.6 million and Afl. 119.6 million, respectively.

The growth in domestic debt resulted from higher negotiable debt of Afl. 76.4 million and lower non-negotiable debt of Afl. 23.3 million. The upsurge in negotiable debt is attributed to an increase in government bonds of Afl. 76.4 million. The drop in non-negotiable debt resulted from a decrease in non-negotiable long-term debt of Afl. 41.3 million, due mainly to decreases in private loans (-Afl. 35.4 million). In contrast, non-negotiable short-term debt increased by Afl. 18.0 million, primarily due to higher other short-term debt (+Afl. 24.2 million).



Source: Department of Finance; APFA; CBA.

**Table 4: Government Debt
(Afl. million)**

End-period	Domestic	Foreign	Total
Q1 - 2022	2,182.9	3,830.0	6,013.0
Q2 - 2022	2,196.9	3,773.2	5,970.0
Q3 - 2022	2,230.1	3,586.6	5,816.7
Q4 - 2022	2,156.1	3,561.5	5,717.6
Q1 - 2023	2,236.0	3,527.1	5,763.2

Source: Department of Finance; APFA; CBA.



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