



CENTRALE BANK VAN ARUBA

Tourism to remain principal contributor to GDP growth in 2023 and 2024

Press release

July 28, 2023

Today, the Centrale Bank van Aruba (CBA) published an update of the Economic Outlook for 2023. In addition, an initial forecast for 2024 is presented.

Following a strong rally in 2022, tourism related activities continued to grow steadily in the first quarter of 2023. During this period, tourism sector indicators such as stay-over visitors (+31.1 percent), average daily rate (ADR) (+14.7 percent) and revenue per available room (RevPAR) (+54.2 percent) exceeded the performance of a year earlier. The aforementioned developments, combined with a rise in the general price level of goods and services, pushed up tourism spending significantly compared to the first quarter of 2022. Additionally, other indicators related to investment and employment showed improvement. Overall, the developments observed during the first quarter of 2023 depict a positive economic performance

For 2023, tourism will likely remain the principal contributor to GDP growth, with the expectation that stay-over visitors are likely to reach 105.0 percent of the 2019 level. Consequently, the balance of payments (BOP) will likely record a significant tourism revenue inflow. In 2023, investments are projected to push up GDP, albeit to a lesser degree than tourism, while consumption is expected to contract. Imports will record an increase following the aforementioned developments, leading to outflows on the BOP. On balance, the CBA projects the BOP to record a deficit of Afl. 79.7 million in 2023, primarily driven by a large net financial account outflow related to domestic refinancing of maturing foreign debt.

For 2024, a recovery in the number of stay-over visitors reaching 107.0 percent of the 2019 level is estimated. Investments will likely remain unchanged while consumption and exports are expected to rise. As a result of boosted consumption and exports, imports will go up further in 2024. This leads to more payments to non-residents and consequently to outflows

on the BOP. Nevertheless, in 2024, a surplus on the BOP is forecasted as tourism related revenues outpace import payments.

With regard to price increases, the CBA projects a 12-month average inflation rate of 4.1 percent in 2023 and 0.9 percent in 2024, due to upward pressures from supply chain disruptions, utility tariffs, and fiscal reform measures.

Considering the assumptions mentioned earlier, the CBA projects a real GDP increase of 0.4 percent in 2023, driven by increased real exports (+3.8 percent) and real investment (+2.8 percent) (Table 1). For 2024, the CBA foresees a real GDP growth of 1.2 percent, propelled primarily by expansions in real exports (+4.1 percent) and real consumption (+0.6 percent). In nominal terms, the CBA projects economic growth to reach 8.6 percent in 2023, and 4.0 percent in 2024. These rates represent a normalization of economic growth following the post-pandemic surges observed in 2021 and 2022.

Table 1: Growth of real GDP and its components 2022 – 2024 (in percent)

Indicator	2022 e	2023 f	2024 f
GDP	10.5	0.4	1.2
Consumption	-0.9	-0.6	0.6
Private consumption	-1.5	-0.7	1.1
Public consumption	0.7	-0.2	-0.8
Investment	5.1	2.8	0.0
Private investment	8.1	2.8	0.0
Public investment	-72.6	3.8	1.2
Exports	28.0	3.8	4.1
Tourism exports	29.6	4.3	5.0
Imports	11.8	3.7	3.4

Source: CBA

e = estimate, f= forecast

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