



Quarterly Economic Bulletin External Sector Balance of Payments Q2 2023

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CENTRALE BANK VAN ARUBA

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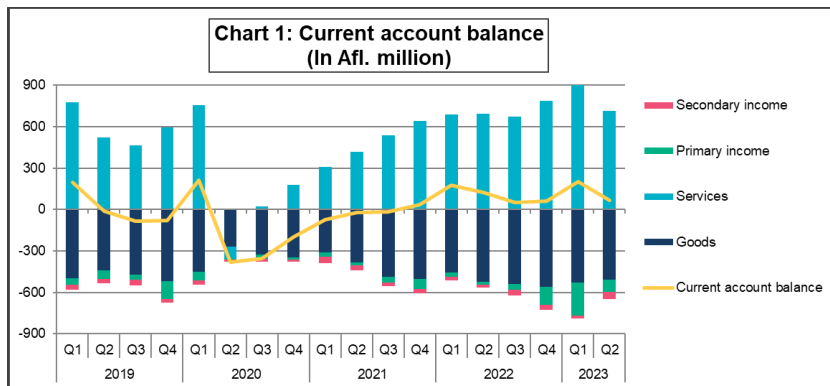
Mangroves are hotspots of biodiversity, connecting life on land with life below water. These ‘forests of the sea’ are essential to the health and vibrancy of our coastal ecosystems, including our community livelihoods. They provide a vital habitat for marine life, help to protect against coastal erosion and storm surges, as well as filter pollutants from the sea. Mangroves are one of nature’s most effective tools in the fight against climate change and are integral to nature.



The current account surplus shrank in the second quarter of 2023

Quarterly economic bulletin
Results of the second quarter of 2023

The current account surplus of the balance of payments shrank from Afl. 128.4 million in the second quarter of 2022 to Afl. 66.0 million in the second quarter of 2023. This resulted from an Afl 66.1 million increase in the deficit on the primary income account and an Afl. 32.7 million expansion in the deficit on the secondary income account. On the other hand, the surplus on the services account expanded by Afl. 20.7 million and the deficit on the goods account contracted by Afl. 15.7 million (Chart 1 and Table 1).



Source: Centrale Bank van Aruba.

Current and capital accounts

The deficit on the income account increased by Afl. 98.9 million to Afl. 140.3 million. The primary income deficit expanded by Afl. 66.1 million to Afl. 85.4 million, mostly attributed to more outgoing payments related to dividend.

The deficit on the secondary income went up by Afl. 32.7 million to Afl. 55.0 million, due to other current transfers of the government and (re)insurance transactions of the other sector.

The services account surplus grew by Afl. 20.7 million to Afl. 716.0 million in the second quarter of 2023. This resulted from increases in export of services (+Afl. 68.5 million) and in import of services (+Afl. 47.8 million) (Table 1). The expansions in tourism credits¹ (+Afl. 64.9 million or 6.5 percent) and other transport services (+Afl. 13.2 million) were the main contributors to the larger export of services. The rise in import of services was mainly due to expansions in tourism debits (+Afl. 25.8 million) and other business services (+Afl. 21.4 million).

The goods account recorded a deficit of Afl. 509.7 million, which is Afl. 15.7 million less compared to the second quarter of 2022. This outcome was caused by a higher decrease in imports (-Afl. 40.4 million) compared to the decline in exports (-Afl. 24.7 million).

¹ 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.

Table 1: CURRENT AND CAPITAL ACCOUNTS			
In Afl. million	2022 Q2	2023 Q2	Changes
1. Goods	-525.4	-509.7	15.7
Exports	95.4	70.7	-24.7
Imports	620.7	580.3	-40.4
2. Services	695.3	716.0	20.7
Credits	1,172.1	1,240.6	68.5
Debits	476.9	524.7	47.8
3. Primary income	-19.3	-85.4	-66.1
4. Secondary income	-22.3	-55.0	-32.7
CURRENT account balance (1+2+3+4)	128.4	66.0	-62.4
CAPITAL account balance	3.3	-1.4	-4.7
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	131.6	64.5	-67.1

Source: Centrale Bank van Aruba

General notes to the tables: Owing to rounding of figures, the sum of separate items may differ from the total shown.

Financial account

The financial account net lending was Afl. 124.6 million in the second quarter of 2023, compared to the net lending of Afl. 96.5 million in the same quarter a year earlier (Table 2). This resulted from net decreases in financial liabilities of Afl. 128.3 million (Q2 2022: +Afl. 136.7 million) and in financial assets of Afl. 3.7 million (Q2 2022: +Afl. 233.3 million).

Net incurrence of financial liabilities

The net decrease in financial liabilities resulted greatly from a decline in other investment (-Afl. 105.8 million) due to decreases in currency and deposits held by nonresidents at the commercial banks (-Afl. 110.3 million) and foreign loans (-Afl. 3.1 million), which were partially offset by an increase in other liabilities (+Afl. 7.6 million).

Additionally, portfolio investment liabilities related to long-term debt securities contracted (-Afl. 28.6 million), due to

repayments on foreign government debt. Furthermore, financial derivatives (-Afl. 4.5 million) declined due to hedging.

On the other hand, direct investment liabilities grew (+Afl. 10.6 million) due to investment in real estate by non-residents (+Afl. 30.6 million) and equity contributions from nonresident shareholders (+Afl. 24.9 million). These increases were largely offset by an Afl. 44.8 million decrease in intercompany borrowing.

Net acquisition of financial assets

The decrease in financial assets was caused by a decline in the reserve assets of Afl. 46.6 million, due to decreases in long-term debt securities (-Afl. 28.9 million) and in currency and deposits held abroad by the central bank (-Afl. 17.7 million).

Other investment assets also declined with Afl. 46.3 million because of decreases in currency and deposits held abroad by the commercial banks and other sectors (-Afl. 32.7 million), loans (-Afl. 7.6 million), and other assets (-Afl. 5.8 million).

On the other hand, the growth in direct investment (+Afl. 58.2 million) was due to the extension of intercompany loans (+Afl. 59.6 million).

In addition, the increase in portfolio investment assets (+Afl. 31.3 million) resulted from a net increase in debt securities (+Afl. 67.0 million) and a decrease in equity securities (-Afl. 35.7 million).

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Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2022 Q2	2023 Q2	Changes
Net acquisition of financial assets	233.3	-3.7	-237.0
Direct investment	146.8	58.2	-88.6
Portfolio investment	23.2	31.3	8.1
Financial derivatives	0.7	-0.4	-1.0
Other investment	103.0	-46.3	-149.3
Reserve assets	-40.5	-46.6	-6.1
Net incurrence of financial liabilities	136.7	-128.3	-265.1
Direct investment	273.4	10.6	-262.8
Portfolio investment	-58.8	-28.6	30.2
Financial derivatives	0.0	-4.5	-4.5
Other investment	-77.8	-105.8	-28.0
NET LENDING (+) / BORROWING (-) FROM FINANCIAL ACCOUNT	96.5	124.6	28.1
Source: Centrale Bank van Aruba			

General notes to the tables: Owing to rounding of figures, the sum of separate items may differ from the total shown.

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