Centrale Bank van Aruba

Robust tourism performance and a pick-up in investment activities drove continued economic growth in 2023

Press release

June 7, 2024

Today, the Centrale Bank van Aruba (CBA) published the State of the Economy report for 2023. The publication contains a review and analysis of national and international economic developments. The highlights of this publication are presented below.

In 2023, the Aruban economy – measured in real Gross Domestic Product (GDP) – grew by an estimated 5.2 percent compared to 2022. Tourism related activities — spurred by increased stay-over visitors and higher total visitor spending — remained a vital contributor to economic growth, while an uptick in the execution of construction projects complemented the buoyant performance of the tourism sector.

The total number of stay-over visitors and the number of visitor nights grew by 14.5 percent and 27.3 percent, respectively, during the year under review. This development indicates that, on average, visitors stayed longer on the island compared to the year before. Data from the hotel sector also pointed to a marked performance of the tourism industry. In 2023, revenue per available room (RevPAR) rose by 14.7 percent compared to 2022. This growth resulted from a higher hotel occupancy rate (2023: 78.0 percent vs. 2022: 75.0 percent), as well as a 10.4 percent surge in the average daily rate (ADR). On the other hand, tourist spending per night amounted to Afl. 371.4 in 2023, compared to Afl. 412.7 in 2022, equivalent to a contraction of 10.0 percent. Nevertheless, during the period under review, revenue[1] from tourism activities recorded at local commercial banks jumped by 14.6 percent compared to a year prior.

In 2023, the majority of consumption-related indicators recorded improved economic conditions. Income from the turnover tax (BBO & BAVP) and taxes on commodities grew due to heightened economic activity, the 1.0 percentage point BBO rate increase implemented on January 1, 2023, as well as the implementation of the BBO at the border as of August 1, 2023. Moreover, the number of persons employed, as registered at SVB, expanded, implying job growth consistent with the tourism sector's performance. Data from local commercial banks align with the strengthened consumption, as the number of I-Pago transactions accelerated, and new consumer credit loans widened compared to 2022.

[1] Tourism revenue corresponds to the definition of tourism credits as defined by the IMF BPM 6 manual. The cut-off date for the data used was March 4, 2024.

During 2023, investment indicators generally reflected an improvement. For instance, the imported value of base metals and derivative works expanded by 17.2 percent, while that of machinery and electrotechnical equipment increased by 9.2 percent compared to 2022. As for new housing and commercial mortgages (+5.0 percent and +5.4 percent, respectively), commercial banks incurred expansions in these components in 2023.

The 12-month average inflation rate descended to 3.4 percent in December 2023, after reaching its highest point in April 2023. Despite the deceleration in the inflation rate, there was still upward pressure on prices, mostly resulting from the components housing (following the increase in utility tariffs of August and September 2022), as well as food and non-alcoholic beverages. Meanwhile, the 12-month average core inflation reached 2.1 percent at the end of December 2023, down from 2.2 percent at the end of December 2022.

At the end of 2023, the GoA recorded a financial surplus of Afl. 248.3 million compared to an Afl. 80.2 million deficit during 2022. This turnaround represented a jump of Afl. 407.5 million in government revenues, partially offset by a rise in government expenditures (on a cash basis) of Afl. 80.1 million. Moreover, the surge in government revenues continued the upward trend observed since 2021, exceeding the level (i.e., Afl. 1,718.9 million vs Afl. 1,402.4 million) registered in 2019.

Compared to 2022, total government debt shrank by Afl. 152.9 million to Afl. 5,562.7 million at the end of 2023. Lower foreign debt owed to financial institutions in the United States (-Afl. 171.2 million) was the predominant factor that brought about the decline in government debt. Meanwhile, the debt owed to the Dutch government for liquidity support (Afl. 915.5 million) was unchanged compared to December 2022. At the same time, total domestic debt expanded (+Afl. 55.7 million). Due to the combination of nominal GDP growth with the debt contraction, the debt-to-GDP ratio fell to 84.5 percent by end 2023, marking a reduction of 12.6 percentage points compared to December 2022.

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