



CENTRALE BANK VAN ARUBA

The Aruban economy continued to expand in the first quarter of 2024

Press release

August 27, 2024

Today, the Centrale Bank van Aruba (CBA) published the State of the Economy report for the first quarter of 2024. The publication contains a review and analysis of national and international economic developments. The highlights of this publication are presented below.

In the first quarter of 2024, the Aruban economy – measured in real Gross Domestic Product (GDP) – grew by an estimated 6.3 percent compared to the same period of 2023¹. Tourism remained the main contributor to economic growth and recorded significant increases in tourist spending and stay-over visitors. In addition, the continuation of relatively large construction projects drove up investment while heightened consumption also provided a boost to the Aruban economy.

The total number of stay-over visitors expanded by 22.5 percent year-to-date March 2024 compared to the same period a year before. Meanwhile, the number of visitor nights rose by 16.0 percent, lagging behind the growth recorded in stay-over visitors. Consequently, visitors' average length of stay marked a decline compared to Q1 2023. This drop indicates that, on average, tourists spent a shorter time on the island compared to the same period in 2023. Nevertheless, during the period under review, revenue from tourism activities recorded at local commercial banks² grew by 11.5 percent compared to a year prior. The rise in tourism revenue was attributed to the growth in total visitor nights, partially mitigated by lower tourism spending per night.

In the first quarter of 2024, the majority of consumption-related indicators improved on a year-over-year basis. For example, merchandise imports (excluding imported machinery and electrotechnical equipment) expanded by 6.0 percent, following the rise in domestic consumption and buoyant tourism activity. Along the same lines, utility consumption data also suggested strengthened consumption. For instance, household water consumption (in cubic meters) steepened by 7.6 percent. Similarly, household electricity consumption (in kWh) surged by 22.2 percent, owing principally to higher consumption per user.

During the first quarter of 2024, investment indicators portrayed mixed signals when compared to the first quarter of 2023. Some indicators registered upticks including the value of new housing mortgages (+5.6 percent) and imports of machinery and electrotechnical equipment (+4.2 percent). However, three out of the

¹ Note that this version of the press release replaces the previously published version of August 15, 2024.

² Tourism revenue recorded at local commercial banks constitutes about 83 percent of total tourism revenue (incl. tourism revenue recorded at non-banks). At the time of writing tourism revenue recorded from non-banks was not available.

five indicators registered downturns including the value of imports of base metals and derivative works (-23.9 percent), import of construction materials (-16.5 percent) and new commercial mortgages (-22.9 percent).

In March 2024, the 12-month average inflation continued its downward trend and reached 2.1 percent, mirroring a 1.3 percentage points decline compared to December 2023. The March 2024 12-month average inflation was largely pushed up by the housing (+1.0 percentage point) and the communication (+0.8 percentage point) components. The Aruban 12-month average inflation has followed a downward trend since May 2023, mainly reflecting the diminishing contribution of the utility tariff hike in August 2022, dwindling gasoline and diesel prices, and normalization in food prices. Moreover, core inflation – inflation excluding energy and food – contributed to a lesser degree to the 12-month inflation chiefly due to lowered purchasing cost of vehicles.

At the end of the first quarter of 2024, the Real Exchange Rate (RER) dropped to 93.5, marking the third consecutive quarter of decline. The RER has shown a general decreasing tendency since the start of the COVID-19 crisis (i.e., 2020 Q1), indicating that Aruba's competitive position against the U.S. dollar has improved.

During the first quarter of 2024, the trade deficit widened to Afl. 632.0 million from Afl. 607.5 million during the first three months of 2023. The broadening deficit resulted from an Afl. 25.3 million increase (+4.1 percent) in the import value of goods, while the exports value of goods grew by Afl. 0.8 million (+5.2 percent). The main drivers of the import's expansion were the sections transport, real pearls and other precious stones, and live animals and other animal products. Meanwhile, a rise in transport equipment was the predominant factor that led to the increase in exported goods.

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