



CENTRALE BANK VAN ARUBA

Strong growth in tourism services and revenues expected to remain the largest contributor to projected economic expansion in 2024 and 2025

Press release

August 16, 2024

Today, the Centrale Bank van Aruba (CBA) published the Economic Outlook for August 2024. This publication contains economic projections for 2024 and 2025¹.

The CBA forecasts a real Gross Domestic Product (GDP) increase of 6.1 percent in 2024 and 1.0 percent in 2025, i.e., with Afl. 329.8 million and Afl. 59.2 million, respectively. This growth is mainly driven by strong growth in tourism services and exports. Real GDP is expected to reach the amount of Afl. 5,724.7 million and Afl. 5,783.9 million, respectively in 2024 and 2025. Real tourism exports are forecasted to expand by 8.3 percent in 2024 and 2.1 percent in 2025. The number of stay-over visitors in 2024 and 2025 is projected to rise by, 12.8 percent and 2.0 percent, respectively. Meanwhile, average daily spending by stay-over visitors is estimated to remain stable in 2024 and inch up in 2025.

The continuation of relatively large construction projects – mainly related to the tourism sector – pushes private investment throughout 2024. Moreover, due to the significant budget surplus registered by the government in 2024, as expected by the CBA, public investment will also record a relatively strong expansion in 2024. In 2025, however, both private and public investments are expected to unwind. Accordingly, real investment growth for 2024 is projected at 17.6 percent, while in 2025 a decrease of 8.7 percent is foreseen.

Real consumption is projected to grow in both 2024 (+0.9 percent) and 2025 (+0.5 percent) due to positive developments in the private and the public sectors. To be specific, employment is expected to climb by 1.6 percent in 2024 and 1.5 percent in 2025. Moreover, wages are projected to grow by 2.7 percent in 2024 and 0.5 percent in 2025, following the

¹ The Economic Outlook contains forecasts that represent assumptions and expectations of the CBA in light of available information up to and including May 2024 (cut-off date). These projections are subject to many uncertainties. The actual results, as published by the Central Bureau Statistics (CBS), may differ from those projected in the Economic Outlook of the CBA. Consequently, no guarantee or warranty is presented as to the accuracy of specific forecasts contained therein. The CBA does not assume any liability for any loss that may result from the reliance on the information in this publication.

indexation of wages to account for inflation and tight labor market conditions in the private sector, as well as the agreed-upon indexation related to public sector wages.

Imports follow the developments in consumption, investment, and exports. In 2024, the anticipated upturns in exports, investment, and consumption will lead to more imports, while the contraction in investment in 2025 is expected to diminish real imports in the respective year. Consequently, real imports will increase by 5.3 percent in 2024, and decrease by 1.2 percent in 2025.

The Balance of Payments (BOP) is foreseen to record a surplus of Afl. 107.9 million in 2024. The surplus in 2024 is principally due to higher tourism revenues. Meanwhile, import payments lead to significant outflows on the BOP in 2024, thus mitigating the overall surplus. In addition, the CBA expects further outflow of funds due to an upswing in the share purchases in companies by residents from non-residents, dividend payments to non-residents, and interest payments to non-residents. In 2025, the CBA estimates a surplus of Afl. 645.7 million on the BOP, as tourism earnings and revenues outpace import payments, causing a large current account surplus.

With regard to price increases, the CBA projects a twelve-month average inflation rate of 1.6 percent in 2024 and 0.5 percent in 2025, with the core component of inflation (excluding the change in food and energy components) being the main determinant of total inflation.

Table 1 summarizes the predicted growth in GDP and its components. The complete publication is available on the CBA's website (www.cbaruba.org).

Table 1: Growth of real GDP and its components 2023 – 2025 (in percent)

Indicator	2023 e	2024 f	2025 f
Current outlook			
GDP	4.3	6.1	1.0
Consumption	-0.5	0.9	0.5
Private consumption	0.8	1.4	1.1
Public consumption	-4.2	-0.6	-1.3
Investment	10.1	17.6	-8.7
Private investment	10.1	14.3	-8.0
Public investment	6.3	346.3	-25.8
Exports	6.6	7.1	2.2
Tourism exports	6.7	8.3	2.1
Non-tourism exports	6.4	3.1	2.6
Imports	3.4	5.3	-1.2

Source: CBA

e = estimate, f = forecast