STATE OF THE ECONOMY

First three quarters of 2019

ABSTRACT

Aruba's economy during the first three quarters of 2019 was primarily spurred by the tourism sector and investment activities. Aruba's tourism sector performed well, although the number of cruise ships and passengers was lower compared to the same period of 2018. The majority of the investment indicators pointed towards an expansion of investment activities. However, consumption indicators give a mixed picture on consumption in the first three quarters of 2019. Imports registered moderate growth, with the category base metals and derivated works showing the largest upturn.

Centrale Bank van Aruba

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I. Domestic developments[1]

Economic growth (summary)

For the first three quarters of 2019, available data indicate that Aruba's economy was primarily spurred by the tourism sector and investment activities. Aruba's tourism sector performed well, although the number of cruise ships and passengers was lower compared to the same period of 2018. The majority of the investment indicators pointed towards an expansion of investment activities. However, consumption indicators give a mixed picture on consumption in the first three quarters of 2019. Imports registered moderate growth, with the category base metals and derivated works showing the largest upturn.

Tourism

Aruba's tourism sector continued its expansion well into the first three quarters of 2019. Total stay-over visitors (+4.9 percent; Table 1) as well as total visitor nights (+3.0 percent) increased compared to the same period of the previous year, mainly driven by the U.S. market. The total number of visitors from the European market also showed an expansion (+7.1 percent) during this period, while the number of visitors from the Latin American market registered a decline (-30.1 percent). The aforementioned developments in the tourism sector resulted in an increase in tourism credits of 4.0% in the period under review. Although still robust, this growth rate is less than the 9.5% gain registered in the same period of the previous year.

[1] The cut-off date for information published in this State of the Economy is March 1, 2020.

Table 1: Tourism indicators for Aruba (YTD September 2019 vs. YTD September 2018)

Indicator	Aruba	
	2018	2019
Stay-over visitors (growth)	1.5	4.9
excl. Venezuela	6.6	8.1
Average length of stay (days)	7.4	7.3
Cruise visitors (growth)	5.8	-2.2
Hotel occupancy (%)	84.5	85.7
Average daily rate (US$)	261	279
Revenue per available room (RevPAR) (US$)	220	239
Tourism credits (growth)	9.5	4.0

Sources: ATA, AHATA, APA, CTO, STR

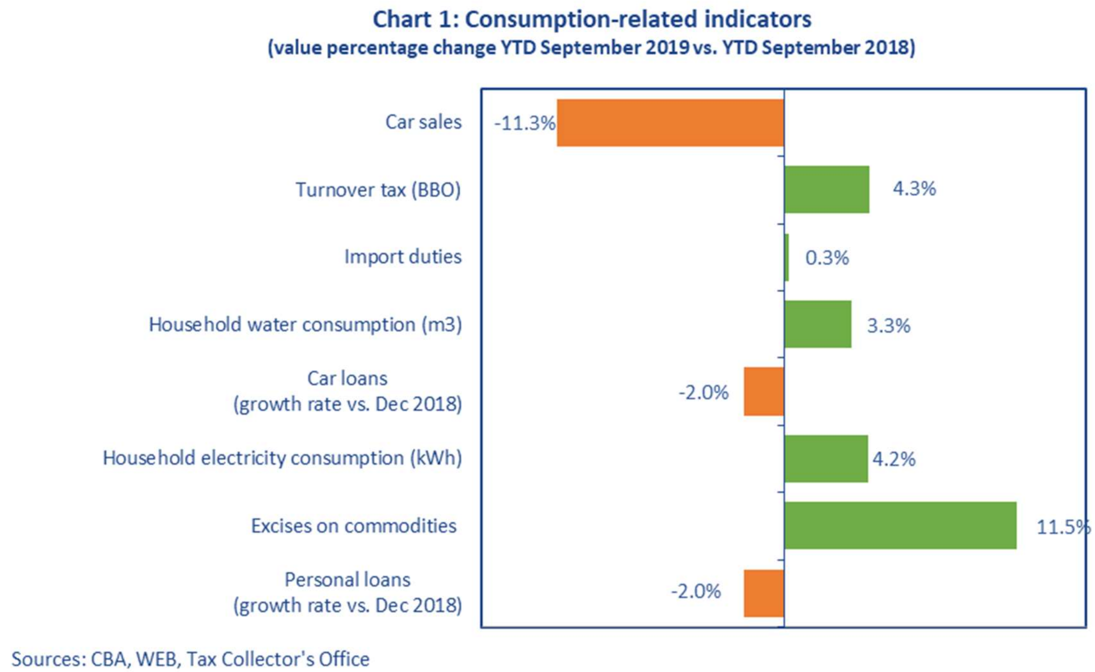
The Venezuelan market continued on a downward path in the first three quarters of 2019. The persistent contraction in the number of visitors from Venezuela (-65.9 percent) resulted in the decline in the Latin American market. Excluding Venezuelan visitors from the total number of visitors, stay-over visitor growth amounted to 8.1 percent. At the end of September 2019, Venezuelan visitors accounted for 1.4 percent of the total tourism market. Whereas in the past Venezuela was the second most important market for Aruba, this position has now been rendered to Canada. Consequently, more than 79 percent of Aruba's tourism is currently from North America. The increased reliance on this market makes the Aruban economy more vulnerable to negative shocks in that region.

Indicators from the Aruba Hotel and Tourism Association (AHATA) show positive results from the hotel sector. Revenue per available room (RevPar) expanded by 8.4 percent compared to the same period of the previous year. The average room occupancy rate also registered an upturn of 1.2 percentage points to 85.7 percent, while the average daily room rate (ADR) went up by 6.8 percent.

In the first three quarters of 2019, a total of 208 cruise ships entered Aruba's harbor. This amounted to 20 fewer ships (-8.8 percent) compared to the first three quarters of 2018. The total number of passengers also recorded a downturn, from 568,261 visitors in the first three quarters of 2018 to 555,525 visitors in the first three quarters of 2019 (-2.2 percent).

Consumption

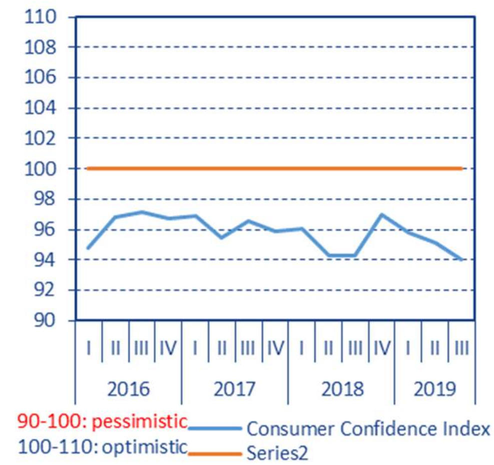
The consumption indicators present a mixed picture for consumption in the first 9 months of 2019. Tax Department data shows growth in turnover tax (+73.1 percent), excises on commodities (+11.5 percent), and import duties (+0.3 percent). The results for the turnover tax in the period under review were affected by the 1 percent increase in the BAZV rate, as well as the introduction of the levy "Belasting additionele voorzieningen PPS-projecten" (BAVP; 1.5 percent), introduced on July 1, 2018. Excluding the BAVP and BAZV, turnover tax (BBO) revenues grew by 4.3 percent in the period under review. The developments in excises on commodities were also impacted by a policy change, i.e., higher excises on distilled liquor and wine as of January 1, 2019. During the period under review, a 32.1 percent increase in the revenue from excises from liquor was reported. Information on (traditional) car sales show that the amount of new cars sold in the first three quarters of the year decreased by 11.3 percent, compared to the same period of the previous year. According to data on utilities, however, household electricity consumption (kWh) as well as water usage (m3) went up by 4.2 percent and 3.3 percent, respectively (Chart 1).



Bank credit figures reveal sluggish consumption as consumer credit posted a continued contraction by 2.3 percent in September 2019, compared to December 2018. The lower level of consumer credit resulted from a reduction in all components: personal loans (-2.0 percent), car loans (-2.0 percent), and credit cards (-1.6 percent). However, consumer credit data from the *nonmonetary financial institutions* reveal a 3.4 percent growth in consumer credit. Taking the monetary and nonmonetary sectors together, consumer credit decreased by 1.0 percent.

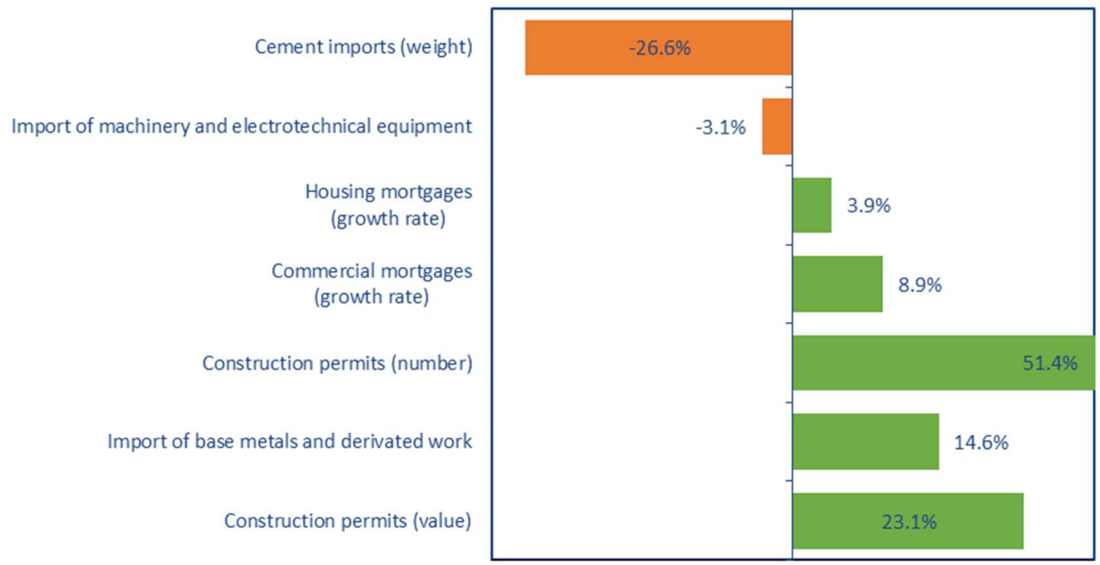
Consumer sentiments worsened in the third quarter of 2019, compared to the last quarter of 2018. The Consumer Confidence Index (CCI) contracted by 3.0 index points to 94.0 in the quarter under review (Chart 2), with all components reflecting pessimism. The Expectations Index, which contains the consumers' expectations on their personal financial situation, business and economic conditions, government financial position, and job expectations, sunk the most during the third quarter of 2019, contracting by 3.9 index points to 93.9. The Present Situation Index, reflecting perceptions on the present personal financial situation, the present government financial position, the present business and economic conditions, as well as the present job situation, weakened by 3.3 index points. The Consumption Habits Index registered a downturn of 2.5 index points. This index presents consumers' sentiments on buying a car, going on vacation, taking out a loan, taking out a mortgage, and buying major appliances. Finally, given the respondents' expectations on price developments in the coming six months, the Price Expectations Index edged down from 90.4 in the last quarter of 2018 to 90.2 in the quarter under review, thus, indicating expectations of higher prices.

Chart 2: Consumer Confidence Index



Investment

Chart 3: Investment-related indicators
(value percentage change YTD September 2019 vs. YTD September 2018)

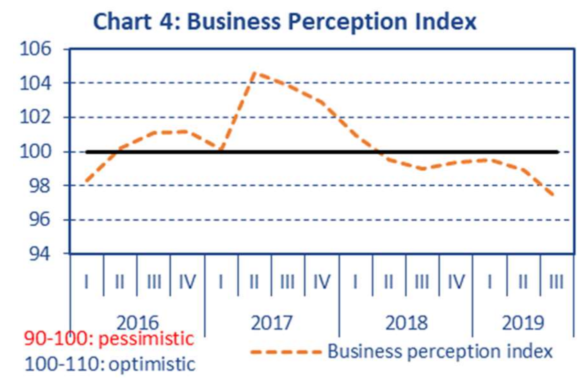


Sources: CBA, CBS, DOW

The majority of the investment indicators for YTD September 2019 point towards an expansion of investment activities (Chart 3). The number and value of newly granted construction permits surged by 51.4 percent and 23.1 percent, respectively, showing signs of a pick-up in investment. This development followed subdued 2018 figures due to the lack of large-scale projects, in comparison to 2017. The 14.6 percent increase in the import of base metals and derivated work also complements the above-mentioned developments. In addition, the available credit indicators related to investment point towards increased activity. Specifically, in September 2019 the total amount of commercial mortgages increased by 8.9 percent. The total amount of housing mortgages rose by 3.9 percent, compared to December 2018.

The import of cement and machinery and electrotechnical equipment, on the other hand, suggests a slowdown in investment activities, although this may partly reflect time lag effects as imports and investment do not always develop synchronously. The total volume of cement imports decreased by 26.6 percent, while imports of machinery and electrotechnical equipment registered a downturn of 3.1 percent.

The business perception index[2] (BPI) sustained its pessimistic trend in the third quarter of 2019. The BPI, comprising the current and short-term economic conditions, contracted by 1.6 index points to 97.3 in the third quarter of 2019, compared to the previous quarter. The third quarter of 2019 marks the sixth consecutive quarter in which the BPI is in the negative realm. The current economic condition index declined by 3.0 index points while the short-term future economic condition index grew by 0.3 index point. The current economic condition was negative in all components, while the short-term future economic condition showed optimistic sentiments regarding economic conditions in Aruba and developments in the number of employees that work for the company.



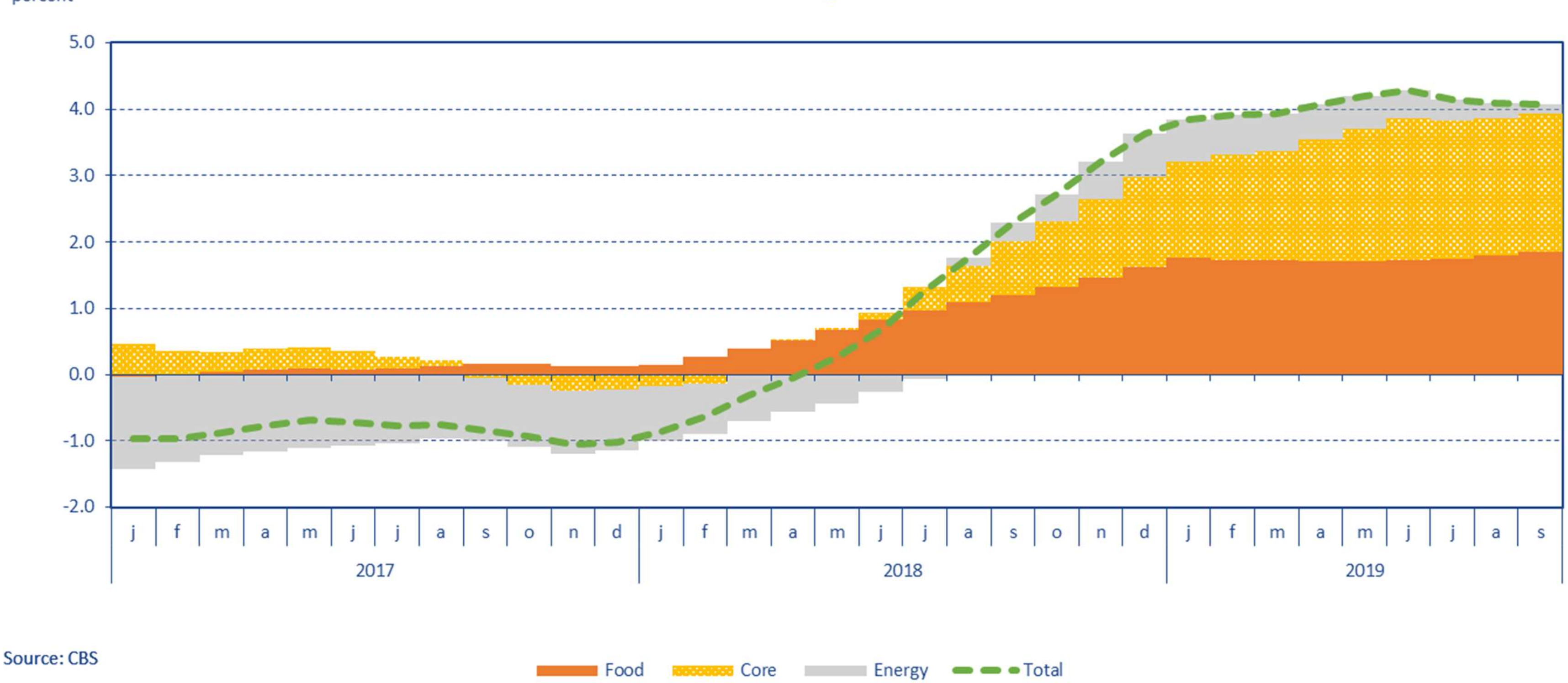
Consumer Price Index (CPI)

The 12-month average CPI inflation stood at 4.1 percent in September 2019, resulting from rising food prices and an increase in the price of certain communication services. Food prices contributed to the 12-month average inflation with 1.9 percentage points, mainly due to higher fruit prices. The continued closure of the border between Aruba and Venezuela limits access to relatively cheaper fruits and vegetables, as well as increases transportation costs as substitutes are shipped over larger distances. In addition, at the end of 2018, the increase in the prices of mobile phone and internet services caused an upturn of 0.6 percentage point for the communication component of the 12-month average inflation. The introduction of the BAVP

[2] The index can vary between 90 and 110. Between 90 and 100 indicates a situation of pessimism. An index of exactly 100 indicates that businesses are neither pessimistic nor optimistic, but are neutral with regard to their thoughts about economic developments in Aruba. Between 100 and 110 indicates a situation of optimism in business sentiments.

and a higher tariff of the BAZV in July 2018, still exerted an upward effect on the 12-month average inflation rate, resulting in a core inflation of 2.1 percent for the 12-month average at the end of September 2019 (Chart 5). Compared to the corresponding period of 2018, the development in prices over the past 12 months led to an end-of-period inflation of 4.4 percent in September 2019. This increase no longer contains the upward effect of the rise of indirect taxes in July 2018.

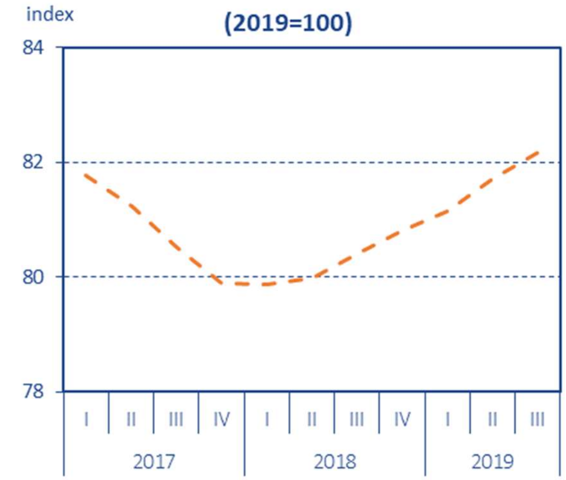
Chart 5: 12-month average rate of inflation



Source: CBS

The real exchange rate of the florin vis-à-vis the U.S. dollar increased steadily since the first quarter of 2018 (Chart 6). This suggests an ongoing deterioration in Aruba's competitive position relative to the United States, due to developments in prices, which are partly the result of fiscal policy related measures.

Chart 6: Real exchange rate Aruban florin vis-à-vis the U.S. dollar (2019=100)

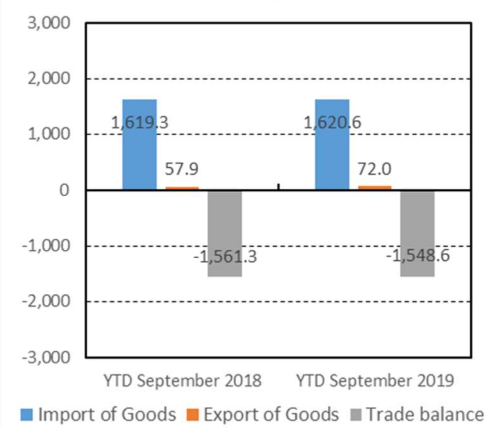


Foreign Trade

Aruba's trade deficit amounted to Afl. 1,548.6 million in the first three quarters of 2019, which is a 0.8 percentage point reduction compared to the same period of the previous year (Chart 7). The contraction in the trade deficit resulted from an Afl. 14.1 million (+24.4 percent) growth in the export of goods, against a meagre growth in imports of Afl. 1.3 million (+0.1 percentage point). The main contributor to the increase in exports is Aruba's largest trading partner, the United States, with an Afl. 14.5 million (+53.1 percent) expansion. Despite its relatively small amount in absolute terms, exports to Colombia surged by 371.4 percent in the period under review. With regard to imports in the period under review, the relatively large decline in imports from the United States (-Afl. 11.6 million), and the continued slowdown in imports from Venezuela (-Afl. 4.5 million) as a result of the trade embargo, were counterbalanced by increased imports from the Netherlands (+Afl. 8.5 million), Colombia (+Afl. 5.0 million), and Panama (+Afl. 3.1 million).

During the period under review, the category mineral products registered the largest downturn, with a decrease of 6.8 percent. The category noting the largest upturn, on the other hand, was base metals and derivated works, with a growth of 14.6 percent.

Chart 7: Foreign trade



The market shares of Aruba's trading partners remained practically unchanged compared to the same period of the previous year. The United States remains the largest partner with a market share of 56.5 percent, while the Netherlands comes in second with a share of 14.0 percent of trade (Table 2).

Table 2: Share of imports of goods by country of origin (%)

Country of origin	YTD September 2018	YTD September 2019
United States	57.2	56.5
Netherlands	13.5	14.0
Netherlands Antilles	0.4	0.2
Venezuela	0.5	0.2
Panama	2.6	2.7
Brazil	2.2	2.1
Colombia	2.1	2.4
Japan	1.2	1.0
Other countries	20.5	21.0

Source: CBS Aruba

Balance of Payments

The current account of the balance of payments recorded an Afl. 192.7 million surplus in the first nine months of 2019. This surplus was substantially larger than in the same period of 2018, increasing by Afl. 169.5 million (Table 3; Chart 8). The expansion was mainly related to the strong performance in the tourist sector that pushed up the surplus on the services account by 6.3 percent. The latter outcome was supported by a decrease in the deficit on the income account, while the deficit on the goods account remained virtually constant. The surplus on the services account grew by Afl. 109.2 million to Afl. 1840.5 million, primarily due to a 4.0 percent rise in tourism credits (Afl. 107.3 million) as tourist arrivals expanded (+4.9 percent). The goods account remained practically unchanged, with a marginal Afl. 1.6 million increase in the deficit to Afl. 1,386.2 million. Import payments of goods fell by 5.4 percent (-Afl. 89.5 million) to Afl. 1,562.3 million. Meanwhile, export receipts of goods dropped by 34.1 percent (-91.2 million) in the period under review. The deficit on the income account contracted by Afl. 62.0 million (-19.2 percent) to Afl. 261.6 million. The latter resulted largely from a reduction in the deficit of the primary account (consisting mainly of cross-border income from labor, investment, and rent), while the outcome of the secondary income account (consisting of current transfers) was

Table 3: Balance of payments (in Afl. Million)

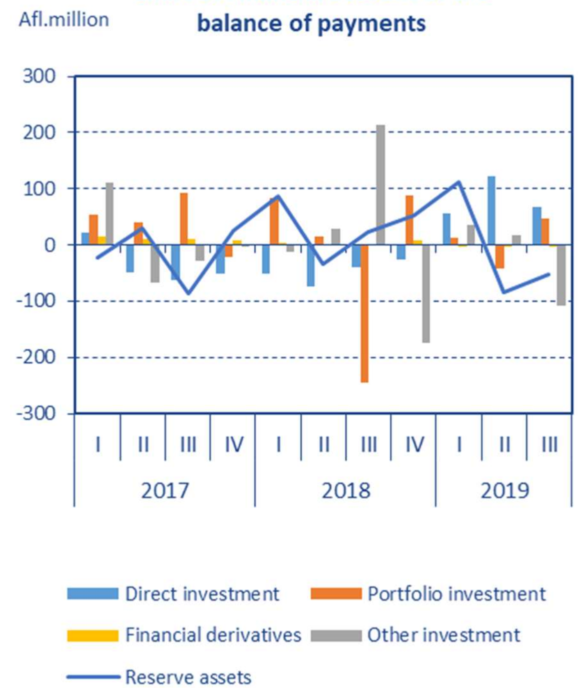
Balance of payments	2018 Jan-Sep	2019 Jan-Sep
Current account	23.2	192.7
Goods	-1,384.6	-1,386.2
Services	1,731.3	1,840.5
Primary income	-204.7	-143.8
Secondary income	-118.9	-117.7
Financial account	2.1	177.0
Direct investment	-162.7	246.1
Portfolio investment	-145.0	16.4
Financial derivatives	3.1	-5.7
Other investment	230.3	-55.4
Reserve assets	76.5	-24.4

relatively flat compared to the corresponding period of 2018.

Chart 8: Current account of the balance of payments

The financial account resulted in a net lending of Afl. 177.0 million in the first three quarters of 2019, an expansion of Afl. 174.8 million compared to the same period of 2018. (Table xx). Aruban residents invested a net amount of Afl. 132.7 million abroad, mainly through Afl. 157.2 million net purchases of foreign equity and debt securities by resident private investors. On balance, foreigners retracted a net amount of Afl. 44.2 million from Aruba, stemming primarily from the repayment of intercompany debt by resident companies (Afl. 168.2 million). There was also incoming investment through the issuance of private loans by residents to abroad (Afl. 111.0 million), the purchase of real estate by nonresidents (Afl. 53.7 million), and the Afl. 37.8 million net purchase of government debt paper by foreign investors. In general, the direct investment and other portfolio accounts recorded a net outflow of, respectively, Afl. 246.1 million and Afl. 16.4 million, while net inflows were noted in the financial derivatives account (Afl. 5.7 million), other investments (Afl. 55.4 million), and the reserve assets (Afl. 24.4 million) (Chart 9).

Chart 9: Financial account of the balance of payments

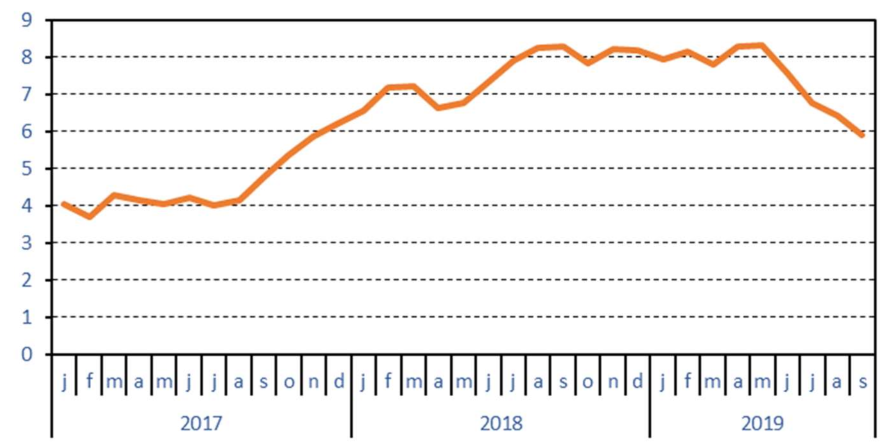


Monetary survey

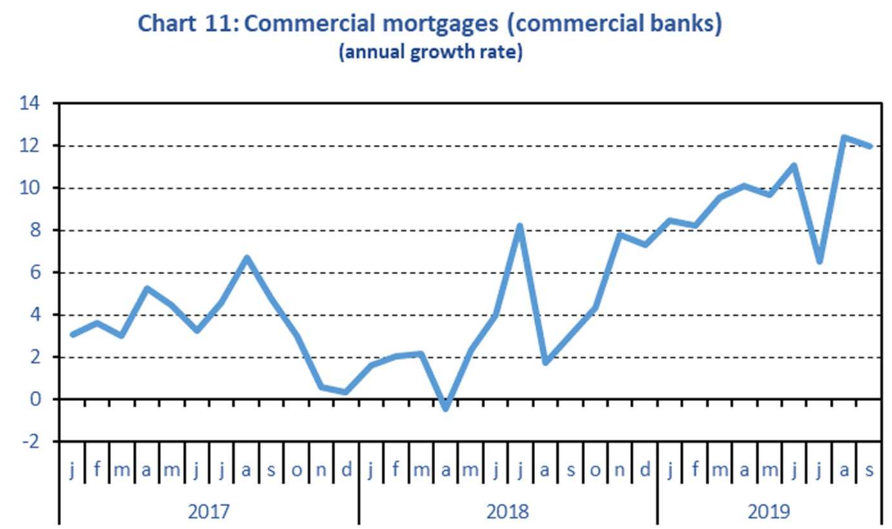
Total money supply stood at Afl. 4,386.6 million at the end of the third quarter of 2019, a growth of Afl. 9.0 million compared to December 2018. The growth in money supply was the result of an Afl. 113.0 million expansion in net domestic assets, which was largely offset by an Afl. 104.0 million drop in net foreign assets related to domestically financed repayments of foreign private loans and repurchases of equity from nonresidents. The increase in net domestic assets was driven mainly by increases in loans to enterprises and housing mortgages and a decline in government's deposits. Despite the substantial drop, net foreign assets remained above the critical norms monitored by the Monetary Policy Committee (MPC) of the Central Bank of Aruba. However, at the end of the third quarter of 2019, official reserves were below the IMF Assessing Reserve Adequacy (ARA) metric, which serves as a guideline when analyzing developments in the official reserves.

The growth in domestic credit is attributed primarily to domestic credit extended to the private sector. Credit extended to the private sector grew by Afl. 203.7 million to Afl, 3,449.3 million at the end of September 2019 compared to the end of 2018. The main driver of this development was an Afl. 162.3 million increase in loans to enterprises, primarily due to expansions in term loans with maturities longer than two years and in commercial mortgages (Chart 11). Moreover, credit to individuals also contributed to higher domestic credit through a rise in housing mortgages of Afl. 52.2 million or 3.9 percent compared to December 2018 (+5.9 percent compared to September 2018) (Chart 10). Note that the year-to-date growth rate of housing mortgages did decelerate compared to a year earlier when an increase of 6.1 percent was recorded. The growth in housing mortgages was partially offset by the continued fall in consumer credit of Afl. 11.3 million at the end of September 2019 compared to the end of 2018.

Chart 10: Housing mortgages (commercial banks)
(annual growth rate)



In general, total housing mortgages (including other financial institutions) reached Afl. 1,975.1 million by the end of the third quarter of 2019, up from Afl. 1,919.0 million at the end of 2018. The share of commercial banks in housing mortgages stood at 70.1 percent compared to 69.5 percent at end of 2018.



Net claims on the public sector went up by Afl. 37.1 million to Afl. 471.2 million at the end of the third quarter of 2019 compared to December 2018. This increase was on balance the result of an Afl. 60.9 million drop in government's deposits and an Afl. 23.8 million fall in gross claims.

The aggregated balance sheet of the nonmonetary financial institutions reached Afl. 6,267.6 million, an increase of Afl. 308.9 million compared to December 2018. On the asset side, this was due to a higher level of domestic claims (+ Afl. 390.5 million) and foreign assets (+ Afl. 201.2 million). On the liabilities side, there were higher amounts for other domestic liabilities (+Afl. 217.0 million), pension fund provisions (+Afl. 47.5 million), and the insurance reserve fund (+Afl. 60.1 million). On the other hand, foreign liabilities were lower (- Afl. 20.4 million) than end-2018.

Chart 12: Weighted average interest rates

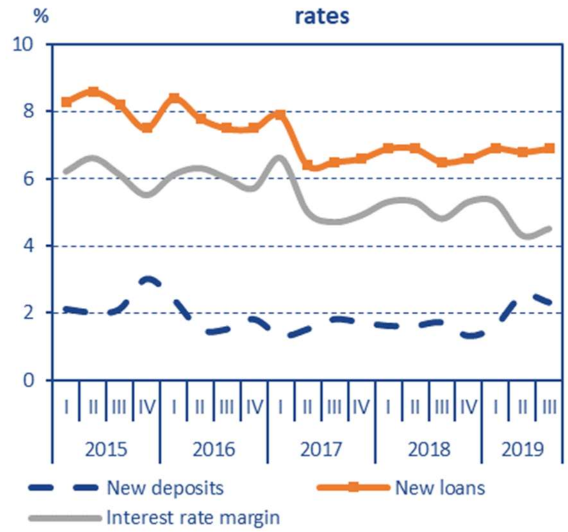
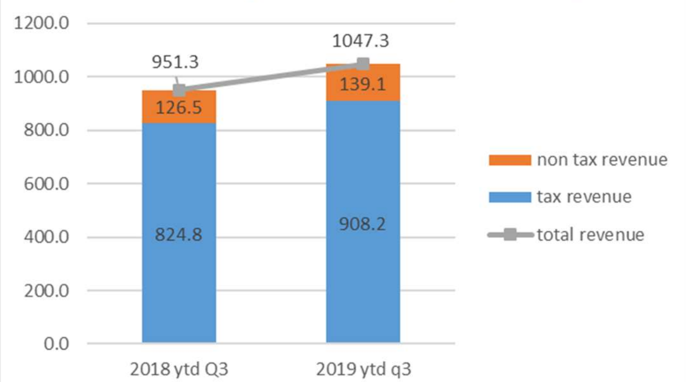


Chart 13: Total government revenue (in Afl. million)



The quarterly weighted average interest rate on new deposits fell back in the third quarter of 2019 after rising during the two previous quarters (Chart 12). Even so, the interest rate on new deposits widened from 1.3 percent in December 2018 to 2.3 percent at the end of September 2019. This was caused by a significant rise in interest rates on time deposits with maturities longer than 12 months. On the other hand, the quarterly weighted average interest rate on new loans was relatively stable, inching up from 6.6 percent in December 2018 to 6.9 percent in September 2019, mostly caused by an increase in interest rates on other commercial loans. Consequently, the interest rate margin fell to 4.5 percent at the end of the third quarter of 2019, down from 5.3 percent in December 2018.

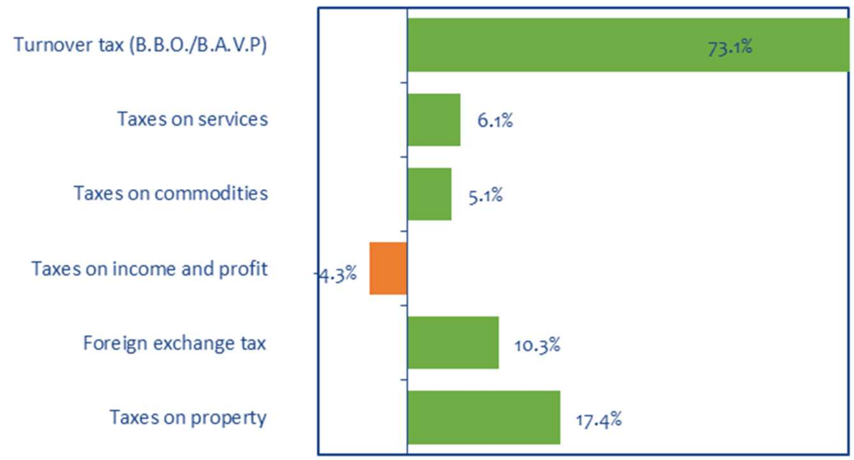
Financial soundness indicators remained solid during the first three quarters of 2019. The capital adequacy ratio increased by 1.2 percentage points to 33.3 percent, while the commercial banks' aggregated prudential liquidity ratio decreased by 3.3 percentage points to 26.5 percent. Both indicators stayed well above the respective minimum requirement ratios of 16 and 18 percent (the latter rose by 2 percentage points in January 2019). The nonperforming loans (NPLs) ratio for the first three quarters of 2019 contracted by 1.1 percentage points to 2.8 percent, indicative of an improvement in loan performance. The profitability of the commercial banking sector strengthened during the first three quarters of 2019, as the return on assets before taxes increased to 0.6 percent compared to 0.5 percent in December 2018.

Government

In the first three quarters of 2019, the government of Aruba registered a fiscal deficit (on a cash basis) of Afl. 22.2 million, or 0.4 percent of estimated GDP, an improvement of Afl. 18.6 million compared to the same period of 2018. This outcome was driven by an increase in government revenues, which outweighed the rise in government expenditure. Total government debt reached Afl. 4,318.6 million, an expansion of Afl. 19.5 million compared to the end of 2018. As a result, the estimated debt-to-GDP ratio stood at 73.5 percent at the end September 2019.

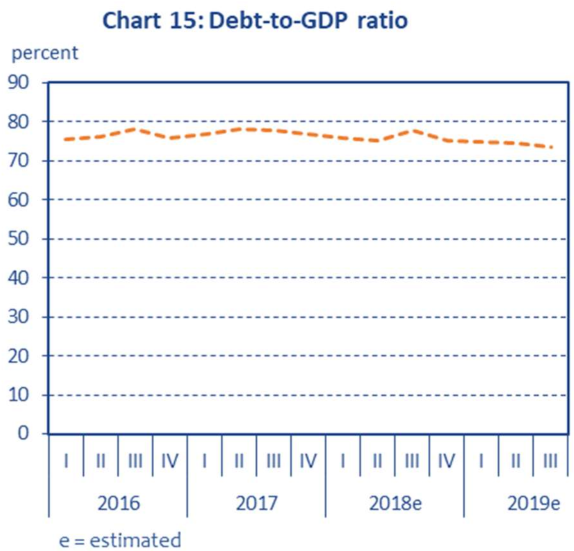
Government revenue rose by Afl. 96.0 million (+10.1 percent) in the first three quarters of 2019, compared to the same period of 2018 and registered a total of Afl. 1,047.3 million (chart 13). Government revenue was pushed up by tax revenue (+Afl. 83.4 million), and non-tax revenue (+Afl. 12.7 million). Almost all tax components expanded, except for taxes on income and profit. Taxes on income and profit contracted by 4.3 percent (-Afl. 15.3 million), for the most part due to an Afl. 17.3 million drop in wage tax receipts (Chart 14). The latter was the result of the changes in the wage tax brackets, which took place at the beginning of 2019. On the other hand, taxes on income grew by 87.3 percent (+Afl. 12.6 million). This growth was driven largely by a rise in dividend tax receipts, because there was a strong rise of dividend payments in the first half of 2019 as a result of the temporary reduction in the dividend tax rate, which is applicable for 2019 only. Taxes on commodities increased (+5.1 percent), primarily due to an acceleration in excises on gasoline (+13.1 percent), as result of reversing the excise reductions that were put in place ten years ago. Proceeds from the turnover tax rose significantly by Afl. 69.0 million (+73.1 percent). This increase was largely due to the introduction of the BAVP in July 2018. When correcting for the BAVP introduction, the turnover tax grew by Afl. 3.4 million (+4.3 percent). Non-tax revenues expanded by Afl. 12.7 million (+10.0 percent), for the most part due to a rise in land lease rights.

Chart 14: Government tax revenue (percentage change 2019 ytd q3 vs 2018 ytd q3)



Source: Tax Collector's Office

Outlays on expenditure (on a cash basis) expanded by Afl. 80.5 million (+8.2 percent) to Afl. 1,057.3 million in the first three quarters of 2019 compared to the same period of 2018. This expansion was caused mainly by a gain in expenses on goods and services of Afl. 63.2 million (+41.1 percent). The latter reflects increases almost across the board, with a rise in maintenance



expenses on recreational matters as the largest contributor (+Afl. 10.4 million). Furthermore, all personnel related components recorded gains, growing by Afl. 18.7 million, pushed up primarily by an expansion in wages (+Afl. 12.8 million). The personnel costs rose significantly, surging by Afl. 187.6 million or 61.5 percent. Additionally, investment rose by Afl. 18.6 million, primarily due to project related expenses. On the other hand, transfers to the general health insurance (AZV) contracted by Afl. 20.4 million, most likely due to the introduction of the BAZV rate increase in July 2018. In the period under review, BAZV revenues increased by Afl. 51.1 million to Afl. 162.7 million. Meanwhile, transfers and subsidies grew marginally by Afl. 0.4 million, while interest expenses remained constant.

In the first three quarters of the year government debt expanded by Afl. 19.5 million to Afl. 4,318.6 million, equal to 73.5 percent of estimated GDP (Chart 15). In the period under review, the government of Aruba emitted one bond issuance with four tranches totaling Afl. 268.3 million, in order to repay principal debt obligations due in 2019 and the budgeted financial deficit for 2019. Furthermore, the government made Afl. 147.3 million in principal repayments on bond obligations due, and Afl. 115.0 million in treasury bills, among others. As a result, foreign debt rose by Afl. 31.8 million, slightly increasing the share of foreign debt to 53.3 percent (+0.5 percentage point compared to the end of 2018). In contrast, domestic debt fell by Afl. 12.4 million, to Afl. 2,018.4 million. The share of domestic debt stood at 46.7 percent at the end of the third quarter.

II. International developments

According to the updated IMF World Economic Outlook,[3] global growth is estimated at 2.9 percent in 2019, and projected to increase to 3.3 percent in 2020 and inch up further to 3.4 percent in 2021. These outcomes depend to an important extent on avoiding further escalation in the US-China trade tensions (and, more broadly, on preventing a further worsening of US-China economic relations, including around tech supply chains), averting a no-deal Brexit, and the economic ramifications of social unrest and geopolitical tensions remaining contained.

In the United States, growth is expected to moderate from 2.3 percent in 2019 to 2.0 percent in 2020 and decline further to 1.7 percent in 2021. The moderation reflects a return from an expansionary to a neutral fiscal stance and anticipated waning support from further loosening monetary policy.

Growth in the euro area is projected to pick up from 1.2 percent in 2019 to 1.3 percent in 2020 and 1.4 percent in 2021. Projected improvements in external demand support the anticipated firming of growth. The growth forecast assumes an orderly exit of the United Kingdom from the European Union followed by a gradual transition to a new economic relationship.

In Latin America, growth is projected to recover from an estimated 0.1 percent in 2019 to 1.6 percent in 2020 and 2.3 percent in 2021 (Table 3). Growth prospects in 2020-21 have been revised downwards for Mexico, due to continued weak investment, as well as for Chile, affected by social unrest. On the other hand, the 2020 forecast for Brazil was revised upward,

[3] IMF *World Economic Outlook*, update January 2020.
A. Werner, Outlook for Latin America and the Caribbean: New challenges to growth, IMF blog, posted January 26, 2020.

owing to improved sentiment following the passage of pension reform and the fading of supply disruptions in the mining sector.

In the Caribbean, economic prospects are improving, but with substantial variation across countries. Growth in tourism-dependent economies is expected to strengthen in 2020. With commodity prices remaining broadly stable, commodity exporters are expected to see modest recovery in growth (large oil discoveries in Guyana and the start of their production are expected to boost growth in 2020). The region’s exposure to climate risks continues to require strong policy actions. Potential growth continues to be impeded by lingering structural problems including high public debt, weaker financial systems, high unemployment, and vulnerability to commodity and climate-related shocks. Some countries have started to strengthen their fiscal positions, but further tightening is needed in others to ensure debt sustainability.

Table 3: Projections for Latin America and the Caribbean (Real GDP growth, in percent)

Indicator	2019e	2020f	2021f
Latin America and the Caribbean	0.1	1.6	2.3
Excluding Venezuela	0.8	1.9	2.4
South America	-0.2	1.5	2.3
Excluding Venezuela	0.9	1.8	2.5
Central America, Panama, Dominican Rep.	3.2	3.9	4.0
Caribbean			
Tourism dependent	1.4	1.1	1.9
Commodity exporters	0.9	17.9	2.8
Source: IMF.			
e = estimate (IMF); f = forecast (IMF)			

III. Conclusion

Available data indicate that during the first three quarters of 2019, Aruba's economy was primarily driven by the tourism sector and investment activities. The tourism sector performed well, despite a continued downward path of the Venezuelan market, while the hotel sector showed positive results. The consumption indicators present a mixed picture for domestic consumption. Consumer sentiments turned more pessimistic. The majority of the investment indicators pointed towards an expansion in investment activities, although the business perception index stayed on a pessimistic trend in the third quarter of 2019.

The 12-month average CPI inflation stood at 4.1 percent in September 2019, resulting from rising food prices and an increase in the price of certain communication services. The real exchange rate of the florin vis-à-vis the U.S. dollar increased steadily since the first quarter of 2018

Aruba's trade deficit amounted to Afl. 1,548.6 million in the first three quarters of 2019, which is a 0.8 percentage point reduction compared to the same period of the previous year.

The current account of the balance of payments recorded an Afl. 192.7 million surplus in the first nine months of 2019. This surplus was substantially larger than in the same period of 2018, increasing by Afl. 169.5 million. The expansion was mainly related to the strong performance in the tourist sector that pushed up the surplus on the services account by 6.3 percent.

The financial account resulted in a net lending of Afl. 177.0 million in the first three quarters of 2019, a growth of Afl. 174.8 million compared to the same period of 2018.

Total money supply grew by Afl. 9.0 million in September compared to December 2018. The growth in money supply pertained to an Afl. 113.0 million expansion in net domestic assets, which was largely offset by an Afl. 104.0 million drop in net foreign assets related to a domestically financed repayment of a foreign private loan and the repurchase of equity from nonresidents.

In the first three quarters of 2019, the government of Aruba registered a fiscal deficit (on a cash basis) of Afl. 22.2 million, or 0.4 percent of estimated GDP, an improvement of Afl. 30.1 million compared to the same period of 2018. Government revenue rose by Afl. 96.0 million, pushed up by increases in both tax and non-tax revenue. Outlays on expenditure (on a cash basis) expanded by Afl. 80.5 million, caused mainly by a rise in expenses on goods and services.

Table 4: Main economic indicators

Indicator	2018 Jan-Sep	2019 Jan-Sep	Change
Hotel revenue per available room (US$)	151	166	15
Stay-over visitors (numbers)	809,314	848,844	39,530
Cruise visitors (numbers)	568,261	555,525	-12,736
Construction permits (Afl. million)	243	298	56
Imports of machinery and electrotechnical equipment (Afl. million)	244.7	237.2	-7.5
Turnover tax receipts (Excl. BAVP, in Afl. million)	79.6	83.0	3.4
Taxes on income and profit (Afl. million)	353.8	338.5	-15.3
Twelve-month average rate of inflation (percent)	2.3	4.1	1.8
Consumer confidence index (third quarter, index points)	94.3	94.0	-0.3
Government debt-to-GDP (ratio)	77.7	73.5	-4.2

Sources: CBA, AHATA, ATA, CBS.

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