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# Kingdom of the Netherlands—Aruba: 2005 Article IV Consultation—Staff Report; and Public Information Notice on the Executive Board Discussion

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2005 Article IV consultation with the Kingdom of the Netherlands—Aruba, the following documents have been released and are included in this package:

- the staff report for the 2005 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on January 19, 2005, with the officials of the Kingdom of the Netherlands—Aruba on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 8, 2005. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its May 25, 2005 discussion of the staff report that concluded the Article IV consultation.

The document listed below has been or will be separately released.

Selected Issues Paper and Statistical Appendix

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

**To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.**

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INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—ARUBA

**Staff Report for the 2005 Article IV Consultation**

Prepared by Staff Representatives for the 2005 Consultation with Aruba

Approved by Alessandro Leipold and Martin Fetherston

April 8, 2005

The 2005 Article IV discussions were held in Oranjestad during January 12–19, 2005. The staff team comprised Mr. Székely (head) and Mmes. Allard and Tsounta (all EUR). It met with the governor, the prime minister, the finance minister, the president, and other representatives of the Central Bank of Aruba (CBA), the senior staff of several ministries and government agencies, and representatives of labor unions, employer organizations, and the banking association. Mr. Roovers (Senior Advisor to the Executive Director) attended the meetings.

In concluding the 2002 Article IV Consultation on February 24, 2003, Executive Directors commended Aruba's economic performance during the 1990s but expressed concern about the deteriorating budgetary position. They encouraged the authorities to strengthen financial system surveillance and improve statistics.

As part of the Kingdom of the Netherlands, Aruba has accepted the obligations under Article VIII and, apart from the foreign exchange tax described in the text and certain security restrictions, maintains an exchange system free of restrictions (Appendix I).

The authorities held a joint press conference on the mission's concluding statement and have agreed to the publication of the staff report.

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Appendices

**Website for Aruban Data**

Data in this Staff Report reflect information received by March 31, 2005. In many cases, more recent data can be obtained directly from the following internet source:

The Centrale Bank van Aruba (CBA)...................................................http://www.cbaruba.org

## EXECUTIVE SUMMARY

**Background:** After a two-year long recession, GDP growth reached 1.4 percent in 2003, as both tourism and investment picked up, and accelerated further to an estimated 3½ percent in 2004. For 2005, growth is projected to level off at 3¼ percent, as hotel capacity constraints slow tourism growth. After a spurt in 2002–03, inflation has come down to U.S. levels in 2004, reflecting tight monetary conditions. The non-oil current account deficit reached historic highs in mid-2003, but has narrowed significantly since then on the strength of tourism. The fiscal deficit (including health care), however, remained high after the recession and widened further in 2004 to an estimated 5½ percent of GDP. Public debt reached some 46 percent of GDP in 2004, up from 28½ percent in 2000.

**Policy discussions centered on the interaction of policies and institutions and focused on the following key issues**:

- There was a consensus that ambitious **fiscal consolidation** would be needed to lower public debt to a safer level, reducing Aruba's vulnerability to external and internal shocks and safeguard the credibility of the exchange rate peg. To secure this in a sustainable manner, the authorities have implemented a reform of the public sector pension plan for new members, made renewed efforts to reduce health care expenditure, and plan to offer severance packages to selected groups of civil servants. Staff welcomed these measures and recommended additional measures to rein in the wage bill, balance the health care budget, and restore the solvency of the public sector pension scheme. Moreover, staff advocated a medium-term fiscal framework and supported the initiative to adopt a fiscal responsibility law to promote required fiscal consolidation.

- Meeting the challenges of **population aging** requires policies that create conditions for faster productivity growth. To this end, the authorities have promoted diversification into higher-value-added service industries, though with little success recently. Staff recommended applying the successful model of public-private sector cooperation developed in the tourism industry to promote diversification in other areas, in particular in financial services. The authorities have also recognized the importance of improving labor skills to promote higher labor productivity and of freeing up fiscal resources to improve public education. Noting that the cost of postponing reforms is prohibitive, staff called on the authorities to take early action on these fronts.

- Renewed efforts are needed to further improve **the quality of public institutions**. Aruba's impressive development in the 1990s is largely due to its early efforts to create high-quality public institutions, but scant progress has been recorded recently. There was agreement that the central bank law needed to be reviewed with a view to strengthening the legal guarantees for central bank independence. Staff urged the authorities to speed up the restructuring of public companies and reinvigorate their efforts to improve statistics.

## I. BACKGROUND

1. **The economy is pulling out of its first postautonomy recession** (Figure 1). Similarly to other countries in the region, GDP declined by a cumulative 3.2 percent in 2001-02, caused by a series of external shocks (starting with the post-9/11 decline in tourism) (Figure 2). Growth reached 1.4 percent in 2003, helped by the construction of a large hotel and a rebound in oil processing (Tables 1 and 2).[1] Tourism has been a particularly strong engine of growth since early 2004, while construction and oil processing have remained robust. Staff estimates growth at 3½ percent in 2004. Key characteristics of the Aruban economy are described in Box 1.

2. **The fiscal deficit, however, has remained large, mostly reflecting health care and wage expenditures** (Table 4). The Health Care Fund (AZV) has repeatedly experienced large spending overruns since the introduction of universal health care in 2001. Moreover, despite a nominal freeze, total wage costs increased by a cumulative 12 percent in 2001–03, reflecting a rapid increase in public sector employment. As a result, the deficit, including AZV, widened by 2 percentage points, to 5½ percent of GDP in 2004, according to staff estimates. Large deficits and called guarantees (issued to foreign investors over time and paid in 2003 in an amount equivalent to 6 percent of GDP) sharply increased public debt from 28½ percent of GDP in 2000 to 41.7 percent in 2003. Reflecting these developments, Fitch has recently reaffirmed its negative outlook on Aruba's credit rating (BBB).

3. **Nevertheless, as a result of monetary tightening, inflation has been brought down to the U.S. level.** Strong domestic demand, fueled by double-digit private credit growth and fiscal expansion, and a sharp increase in the oil price in 2002 had reignited inflation, which peaked at about 4.3 percent in mid-2003. However, credit ceilings were reintroduced in that year and subsequently tightened in 2004, enabling the CBA to slow down private sector credit growth by September 2004 (Table 5). Average inflation fell to 2½ percent in 2004.

4. **The non-oil current account, which deteriorated sharply during the recession, started to improve in the second half of 2003 as tourism picked up.[2]** Declining net tourism revenue and robust import demand expanded the (rolling 12-month) non-oil deficit to

[1] In the absence of proper price deflators, real GDP is calculated using the CPI, which does not capture the fluctuations in tourism prices that has characterized the post-9/11 period. As a result, both the extent of the decline in 2001–02 and that of the recovery in 2004 are likely to be overestimated.

[2] The operations of a foreign-owned refinery, which reexports oil products, create large swings in the current account, but these operations are financed directly by the owners from abroad. Staff, therefore, bases the analysis of Aruba's external position on the non-oil current account, which excludes the activities of the refinery. As disaggregated national accounts data are not available, a complete macroeconomic framework, including saving-investment balances, cannot be put together for the non-oil sector.

**Box 1. Aruba**

Aruba, which is part of the Kingdom of the Netherlands, is a small Caribbean island with about 96,000 inhabitants (Box Table). The economy is highly dependent on tourism, mainly from the United States, which generates about 43 percent of GDP in export revenues. Strong legal institutions, good governance, and openness have brought the country stability and rapid development since it gained autonomy (*status aparte*) in 1986. Aruba's per capita GDP ($21,200) is one of the highest in the region and similar to that of the lower-income Mediterranean members of the EU (Table 3). The overall level of social development is also high compared with other Caribbean countries, but in some areas, Aruba lags behind its high-income comparators (Figure 3). Aruba's development fund receives official aid from the Netherlands, amounting to about ¾ percent of GDP in 2003. Reflecting Aruba's success, net immigration to the island has been sizable since 1986, mostly from poor countries in the region, while net emigration to the Netherlands has been negligible.

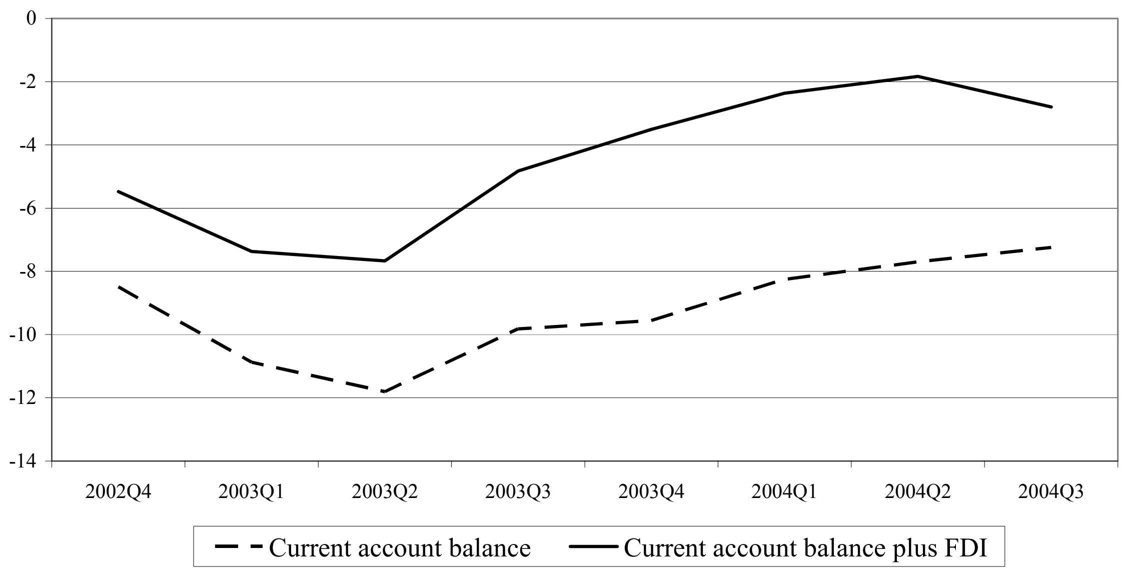
Aruba: A Regional Perspective (2003, or most recent prior year)

| | Nominal GDP per capita | Gross Tourism Receipts | | Population Density |
|---|---|---|---|---|
| | (In U.S. dollars) | (In percent of GDP) | Population | (Per km$^2$) |
| Bermuda | 36,000 | ... | 64,500 | 1,175 |
| **Aruba** | **21,158** | **41.9** | **96,000** | **534** |
| Bahamas, the | 16,866 | 35.2 | 314,000 | 31 |
| Netherlands Antilles | 16,188 | 27.8 | 221,000 | 277 |
| Antigua and Barbuda | 10,100 | 39.5 | 75,000 | 171 |
| Barbados | 9,600 | 25.9 | 271,000 | 624 |
| St Kitts and Venis | 8,008 | 7.0 | 47,300 | 180 |
| St. Lucia | 4,410 | 38.2 | 160,600 | 265 |
| Grenada | 4,205 | 21.3 | 104,800 | 305 |
| Dominica | 3,760 | 16.4 | 69,700 | 92 |
| St. Vincent and the Grenadines | 3,525 | 21.3 | 106,700 | 274 |

Sources: Central Bank of Aruba (CBA); Central Bureau of Statistics (CBS); Economist Intelligence Unit; IMF; United Nations Population Division; and World Factbook.

almost 12 percent of GDP by mid-2003, a level not seen in Aruba in the previous decade (Table 6). The deficit has narrowed subsequently with the strengthening of tourism revenue. The debt-creating deficit (current account balance plus FDI), however, has been significantly smaller and has improved faster than the headline current account deficit (Text Figure). The Aruban florin, which has been pegged to the U.S. dollar since 1986, has appreciated against the U.S. dollar by about 3 percent in real terms since 2001.

Aruba: Non-oil Current Account
(Four-quarter rolling balance in percent of GDP)




Sources: Aruban authorities; and IMF staff calculations.

5. **The present government of the People's Electoral Movement (MEP) took office in 2001.** The next parliamentary elections are scheduled for September 2005.

## II. Report on the Policy Discussions

6. **In addition to assessing the short-term outlook and associated policy stance, discussions focused on the interaction of policies and institutions.** These covered three key areas: (i) the need for medium-term fiscal consolidation and the fiscal framework that can best promote it; (ii) the long-term implications of population aging; and (iii) the areas where the quality of public institutions needs to be improved. There was consensus that the short-term outlook is favorable but that the macroeconomic policy mix needs to be rebalanced by tightening the fiscal stance, though the political economy environment of approaching elections is not favorable. Over the medium term, the authorities recognized the need for consolidating public finances and supporting reforms before aging set in. Box 2 summarizes the implementation of previous IMF recommendations.

**Box 2. Implementation of Previous Recommendations**

In the past five years, the IMF has advised Aruba to strengthen its public finances by implementing expenditure reforms and broadening the tax base and simplifying its tax regime. The Fund has also recommended strengthening the supervision and regulation of the onshore and offshore financial sectors; increasing the operational independence of public companies; and improving statistics. The authorities agreed with the recommendations, but progress in implementation has been uneven.

Building on Fund technical assistance, the public sector pension scheme has been reformed for new entrants, and measures have been taken to rein in the fast-increasing health care costs. The civil service reform and the reform of the universal pension system, however, have been postponed. The corporate income tax has been modernized, but no progress has been made with simplifying the personal income tax and introducing a broad-based indirect tax. Financial supervision and regulation have been strengthened in important ways, but major legislation on money laundering has been delayed by legislative bottlenecks. Limited progress has been made with restructuring public enterprises and improving statistics.

## A. Near-Term Outlook

7. **With a strong rebound in tourism and vibrant private investment, the short-term economic outlook is favorable.** Broadly in line with the authorities' forecast, staff projects growth to decelerate only slightly, from 3½ percent in 2004 to 3¼ percent in 2005, as hotel capacity constraints slow tourism growth. Planned investments in the oil refinery and the hotels, dominated by foreign investors, will keep growth at about 2½ percent in the medium term, according to staff estimates. Absent fiscal adjustment, however, staff expects the non-oil current account deficit to gradually widen, starting in 2006. Risks to the forecasts are evenly balanced. Besides possible shocks to tourism, the main medium-term downside risk is from a loose fiscal stance and the real appreciation and associated negative impact on FDI that this could cause. However, a rebound of tourism fueled by a stronger-than-projected recovery in the United States could accelerate investment in tourism.

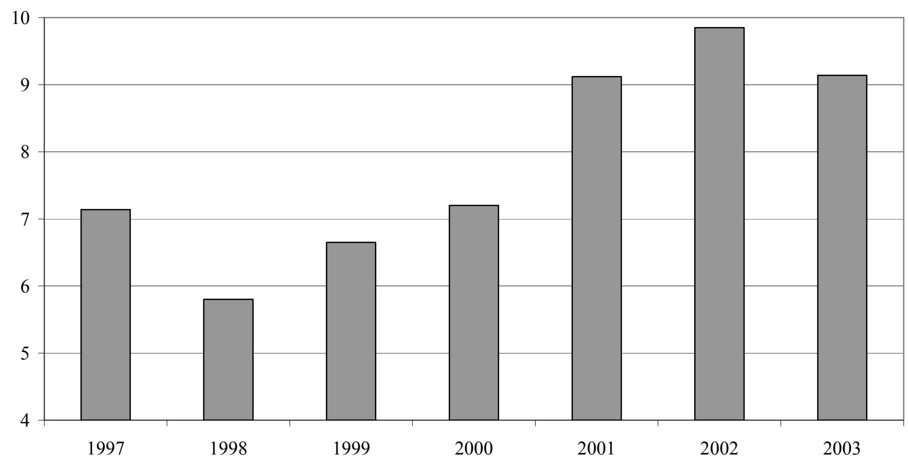
## B. Fiscal Policy

8. **The authorities recognized the importance of rebalancing the policy mix, but the preelectoral period was not seen as conducive to expenditure cutbacks.** The budget targets a combined deficit, including the AZV, of about 2¼ percent of GDP, down from an estimated 5½ percent in 2004. Staff welcomed the targeted fiscal adjustment, which would be essential for arresting the rapid growth of public debt, but noted that, in light of the 2004 fiscal outcome, the revenue projections were unrealistic. Projecting a combined deficit of 5¼ percent of GDP, staff recommended corrective measures: keeping the wage bill unchanged from last year and reducing expenditure on goods and services. The authorities thought that their recent measures in the health care system would be sufficient to meet the

deficit target of AZV but felt that additional sizable expenditure measures would have to be postponed toward the end of the year.

9. **There was, nevertheless, consensus that ambitious medium-term fiscal consolidation would be needed to lower public debt to a safer level.** The authorities explained that their plan to eliminate the budget deficit by 2007 (laid out in their 2002 medium-term fiscal strategy) had been hindered by the recession and the rapid increase in health care costs (Text Figure). Noting that public debt (at over 45 percent of GDP) was already too high, given Aruba's vulnerability to external shocks, and that debt would significantly increase further if fiscal policy were left unchanged (Table 7), staff urged the authorities to renew efforts to consolidate public finances. To this end, in addition to the measures in 2005, staff recommended a medium-term adjustment path that would eliminate the budget deficit and reduce public debt to 40 percent of GDP by 2009 (Text Table). Given the already considerable overall tax burden, including social security contributions, and the need to maintain competitiveness and high labor utilization, adjustment should be mostly on the expenditure side—focusing on payroll and health care expenditures (both of which have increased rapidly since 2001).[3]

Aruba: Public Expenditure on Health Care
(In percent of GDP)




Source: CBS.

[3] The general government's tax take, including social security contributions, was about 30 percent of GDP in 2003.

Aruba: Medium-Term Fiscal Scenarios, 2003-09
(Central Government and Health Care Fund, in percent of GDP)

| **Unchanged policies** | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|
| Revenues | 22.3 | 22.2 | 21.9 | 21.6 | 21.5 | 21.4 | 21.3 |
| Expenditure | 25.0 | 26.6 | 26.2 | 26.3 | 26.5 | 26.7 | 27.0 |
| Current noninterest expenditure | 22.5 | 23.2 | 22.6 | 22.5 | 22.3 | 22.2 | 22.1 |
| Interest | 1.2 | 1.7 | 2.0 | 2.2 | 2.5 | 2.9 | 3.3 |
| Capital expenditure | 1.2 | 1.7 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Central government balance | -2.6 | -4.4 | -4.4 | -4.7 | -5.0 | -5.3 | -5.6 |
| AZV balance | -0.9 | -1.0 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 |
| Balance, including AZV | -3.5 | -5.5 | -5.2 | -5.6 | -5.8 | -6.2 | -6.5 |
| Debt | 41.7 | 45.9 | 48.6 | 51.6 | 54.6 | 58.1 | 61.7 |
| Memorandum items: | | | | | | | |
| Real GDP growth rate (in percent) | 1.4 | 3.5 | 3.2 | 2.4 | 2.7 | 2.2 | 2.1 |
| Current account balance | -7.7 | -5.3 | -5.6 | -8.5 | -7.7 | -9.1 | -10.5 |
| **Recommended policies** | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Revenues | 22.3 | 22.2 | 21.9 | 21.9 | 22.0 | 22.0 | 22.0 |
| Expenditures | 25.0 | 26.6 | 23.8 | 23.1 | 22.9 | 22.6 | 22.2 |
| Current noninterest expenditure | 22.5 | 23.2 | 20.1 | 19.2 | 18.8 | 18.4 | 17.9 |
| Interest | 1.2 | 1.7 | 1.9 | 2.0 | 2.1 | 2.2 | 2.3 |
| Capital expenditure | 1.2 | 1.7 | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 |
| Central government balance | -2.6 | -4.4 | -1.9 | -1.2 | -0.9 | -0.6 | -0.2 |
| AZV balance | -0.9 | -1.0 | -0.7 | -0.3 | 0.0 | 0.0 | 0.0 |
| Balance, including AZV | -3.5 | -5.5 | -2.6 | -1.5 | -0.9 | -0.6 | -0.2 |
| Debt | 41.7 | 45.9 | 46.1 | 45.4 | 43.7 | 42.0 | 40.0 |
| Memorandum items: | | | | | | | |
| Real GDP growth (in percent) | 1.4 | 3.5 | 2.7 | 2.2 | 3.0 | 2.4 | 2.4 |
| Current account balance | -7.7 | -5.3 | -1.9 | -3.0 | -5.0 | -6.4 | -7.8 |

Sources: CBA; and IMF staff calculations.

10. **The monetary authorities stressed the need for fiscal adjustment in light of the deteriorating net foreign asset position.** Staff agreed, adding that its foreign debt sustainability analysis, assuming the absence of fiscal adjustment, projects net foreign assets, which were over 10 percent of GDP in 2001, to turn into a net liability position of about 14 percent of GDP by 2009 (Tables 8 and 9). This decline, together with the refinancing risk stemming from a large gross foreign debt (57 percent of GDP by 2009), would pose a risk to macroeconomic stability.

11. **To facilitate fiscal adjustment, staff advocated multiyear budgeting and supported the initiative to adopt a fiscal responsibility law.** To strengthen the fiscal framework in a medium-term context, the mission suggested setting rolling three-to-five-year nominal ceilings on major expenditure categories—with a view to identifying the structural measures needed to achieve them—and integrating them into the annual budget process. This would provide flexibility: revenue shocks could be accommodated and provisions could be made for adjusting the ceilings if the key parameters underlying the framework (e.g., the

assumption on long-term growth) changed. To support such a framework, the authorities saw merit in conducting a focused expenditure policy review to set new budget priorities and identify expenditure reform options, and the possibility of a fiscal responsibility law had been put forward. Staff agreed that a fiscal responsibility law that strengthened fiscal transparency, improved the budget process (e.g., by requiring multiyear budgeting), and set a fiscal rule would provide credibility and a forward-looking perspective to fiscal policy. In particular, it would not only induce the government to take timely action when the fiscal rule was not observed, but it would also strengthen the case for such action vis-à-vis society and parliament. The authorities expressed interest in obtaining Fund advice on design and implementation issues.

12. **The discussions turned to the details of the required expenditure reforms:**

- **The authorities have taken a series of measures to rein in health care costs.** They explained that the management of the newly-created AZV was caught off guard by the rapid increase in health care costs after the introduction of universal health care in 2001 (Text Table). As a result, health care expenditure relative to GDP reached 9.1 percent in 2003, one of the highest in the world (Figure 5). The government has replaced AZV management and has taken measures to introduce stricter controls on hospital admissions, referrals to specialists and lab tests by family doctors. Staff welcomed these measures, while also urging the authorities to submit the legislation on copayments, which was an essential measure to limit demand for health care services. The authorities also planned to increase contribution rates with a view to balancing the position of AZV. Staff considered that it was necessary and achievable to balance the position of the AZV by 2007 by reducing demand and costs and improving revenue collection, and recommended preserving an increase in contribution rates only as a measure of last resort.

Aruba: General Government Expenditure, 1997-2003

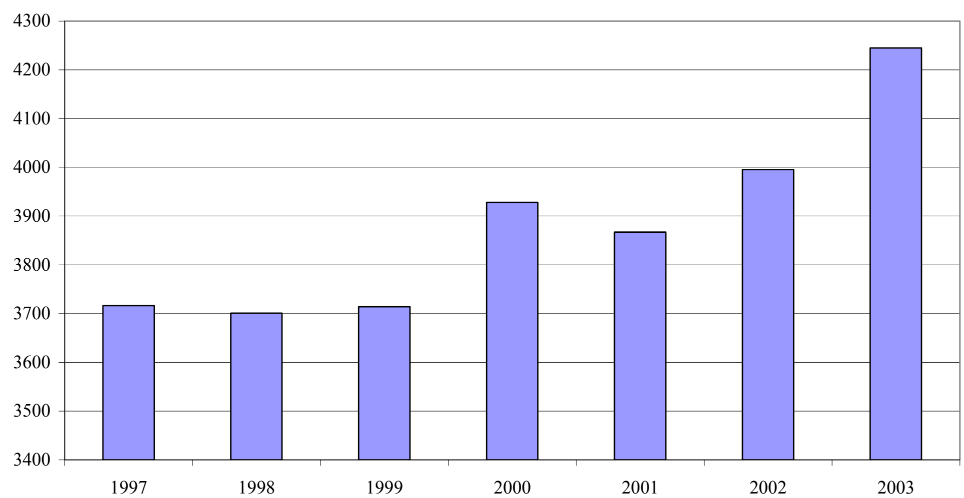
(In percent of GDP)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|
| Total expenditures | 39.8 | 33.9 | 34.6 | 34.0 | 34.3 | 37.6 | 36.8 |
| *Of which* | | | | | | | |
| Compensation of employees | 13.5 | 13.2 | 13.5 | 13.8 | 13.1 | 14.1 | 13.8 |
| Social benefits in cash | 6.7 | 6.3 | 6.4 | 5.7 | 5.5 | 5.2 | 5.0 |
| Gross fixed capital formation | 4.0 | 2.5 | 2.4 | 1.8 | 1.6 | 2.0 | 2.0 |
| Health care spending | 7.1 | 5.8 | 6.7 | 7.2 | 9.1 | 9.9 | 9.1 |
| Education spending | 5.4 | 5.1 | 4.6 | 4.7 | 4.1 | 4.7 | 4.8 |

Source: CBS.

- **Despite a wage freeze and plans to reduce the size of the civil service, payroll costs have increased rapidly since 2001.** The authorities attributed this to the 13 days of additional annual leave granted in the agreement with the unions on the wage freeze, which created a need for additional hiring (Text Figure). They also regretted the delay in implementing their plan to reduce the civil service by offering severance packages to selected groups of employees. While appreciating the difficulties that such schemes typically entailed, staff urged the authorities to move ahead on this front and use all available options, including natural attrition, to start reducing public sector employment. Noting that public sector wages, in particular for low-skilled workers, were significantly above market wages, staff considered strong wage discipline in the public sector essential to maintaining wage moderation in the economy.

Aruba: Civil Service Employment
(Number of employees)




Source: CBS.

- **The authorities saw the recent pension reform for new members as an important first step to restore the solvency of the public sector pension scheme.** The retirement age has been increased from 55 to 60 years, and benefits have been significantly reduced. Reflecting these changes, the combined contribution rate for new entrants has also been reduced, from 31.5 to 15.5 percent. This reform, together with the conversion of past government-contribution arrears into interest-bearing loans, has considerably improved the financial position of the pension fund for public sector employees (APFA). Nonetheless, as the authorities explained, APFA's assets still covered less than 90 percent of its accrued pension liabilities. As part of the process of making it fully independent from the government, APFA was given independent legal status in December 2004. Further reform for the existing members is needed, however, to fully restore APFA's capital base. This is also a prerequisite for planned central bank supervision, which would strengthen APFA's oversight.

- **The reform of the universal pay-as-you-go pension scheme has also suffered a political set-back.** The authorities pointed to the still generous public sector pension scheme and the lack of adequate private pension savings as factors that made it politically difficult for them to increase the retirement age from 60 to 62 years. In this context, they noted that participation in private pension funds other than APFA was below 15 percent of the working-age population. Acknowledging the authorities' concern on this point, staff recommended reviewing the tax code, with a view to eliminating disincentives to pension saving.

13. **The authorities have taken several measures to improve the tax regime but have further postponed the introduction of a broad-based consumption tax previously recommended by staff.** They broadened the corporate income tax (CIT) base and instituted a single-rate 35 percent profit tax and a 10 percent dividend tax. Moreover, in accordance with an agreement with the OECD in the context of eliminating harmful tax practices, the offshore CIT regime is being phased out. While confirming their commitment to refrain from offering CIT incentives, which was welcomed by staff, the authorities noted that the growing tax competition in the region encouraged foreign investors to seek other forms of tax concessions in Aruba. In addition, they explained that the introduction of a consumption tax had to be further postponed because the tax department was found unprepared to administer such a tax. Staff viewed a simple tax system as the best way of attracting foreign investors to Aruba. Noting that a broad-based consumption tax would also be necessary to reduce the disproportionate reliance on income taxes (which generated about half of the total tax revenue of the central government), staff urged the authorities to continue implementing the required tax administration reforms. The mission also reiterated its previous recommendation to simplify the personal income tax, particularly with a view to narrowing the tax wedge for highly-skilled people, since the marginal rate could currently reach as high as 60 percent.

14. **The government has made significant progress in eliminating expenditure arrears and putting in place a control mechanism to avoid accumulating new arrears.** Owing to poor budget management, arrears to APFA and suppliers had accumulated rapidly in the past, reaching 8.4 percent of GDP by end-2003. Besides converting the arrears to APFA, about 80 percent of the total, into loans, most uncontested arrears to suppliers were also settled in 2004. The government has also made further efforts to start collecting overdue student loan payments. Welcoming these improvements, which will increase fiscal transparency and reduce costs, staff encouraged the authorities to extend their efforts to other parts of the general government and remain vigilant to avoid the reoccurrence of arrears.

### C. Monetary Policy

15. **Though inflationary pressures were absent, the authorities were considering tightening monetary policy to restrain domestic demand because of current account concerns.** In agreeing that short-term inflationary pressures were absent, staff noted that the lagged impact of monetary tightening still in the pipeline was likely to keep inflationary pressures at bay. Moreover, with FDI financing a considerable part of the non-oil current

account deficit in 2003–04, the mission felt that the underlying current account position had improved considerably and, therefore, saw no immediate need for a tightening. However, there was agreement that a continued loose fiscal stance would deteriorate the current account position and, thus, would likely make monetary tightening unavoidable in the future.

16. **The use of indirect monetary policy instruments remains limited.** The CBA introduced a six-month certificate of deposit, but the absence of a liquid market and the CBA's reluctance to compensate for this in the price made this instrument unattractive for banks. The authorities also felt that, in general, the absence of a well-functioning interest rate channel rendered indirect monetary policy instruments ineffective in curbing excessive credit demand. While appreciating the difficulties involved, staff noted that direct control entailed a significant efficiency cost and, thus, encouraged the authorities to renew their efforts to introduce new indirect instruments.

17. **Pointing to Aruba's vulnerability to external shocks and the rapid increase in foreign public debt, the monetary authorities stressed the need to strengthen international reserves.** They also stressed, and staff concurred, that improving the current account position, rather than further reliance on public foreign borrowing, was the best way to increase reserves. There was also agreement that Aruba's vulnerabilities—specifically, dependence on highly volatile tourism receipts—suggest a need for a substantial margin of comfort (Box 3 summarizes the staff's analysis, carried out in cooperation with the authorities). Staff, while finding the reserve position broadly adequate in the present circumstances, agreed on the advisability of reversing the erosion in the level of reserves since 2002—also to accommodate the future increase in repayment obligations resulting from higher public debt (Text Figure). At the same time, staff noted that it was not clear that the merits of increasing reserves above this level would outweigh the financial carrying costs.

18. **Views on Aruba's competitiveness differed, with staff finding it broadly adequate.** The monetary authorities were concerned about the real appreciation of the Aruban florin against the U.S. dollar and the impact of the devaluation of several Latin American currencies. Private investors in the tourism sector, however, were upbeat about Aruba's competitiveness and considered the exchange rate appropriate. The historically highest level of hotel room capacity utilization and foreign investors' plans to rapidly increase room capacity in the coming years also support this assessment. Reflecting the weakening of the U.S. dollar, the real effective exchange rate calculated by staff based on market shares in tourism, by far the most important export industry, shows no persistent real appreciation in the past few years, thereby further supporting the private sector's assessment (Text Figure). There was agreement that, given the strong ties to the U.S. economy and the stable real effective exchange rate, the peg to the U.S. dollar remained an adequate exchange rate arrangement.

## Box 3. Adequacy of Aruba's International Reserves

**To better inform the public discussion, the monetary authorities asked the staff to assess the adequacy of Aruba's international reserves.** The CBA has targeted a reserve level, including the net foreign assets of commercial banks, equal to six months of imports of goods. While recognizing the importance of the import coverage ratio, staff also recommended indicators that took into account the demand for reserves generated by capital account transactions in judging reserve adequacy. Moreover, it suggested calculating the indicators more conservatively by excluding the net foreign assets of domestic commercial banks. While noting that the CBA had the legal power to invoke these assets, staff reiterated the view that it might prove difficult for the CBA to mobilize these funds in a timely fashion in periods when reserves were under pressure.

**Though Aruba's reserve position is broadly adequate, several indicators show an erosion of the international reserve position since 2002** (Box Table). Import coverage and the reserve-to-money indicators have declined significantly. Aruba meets most internationally-applied standard thresholds. In particular, reserves cover more than twice the short-term external debt (on a residual maturity basis, including private debt). Regarding international comparison, Aruba's indicators are overall within the range for countries that have successfully maintained similar exchange rate regimes.

Aruba: Official Reserves Adequacy, 2001-04 1/

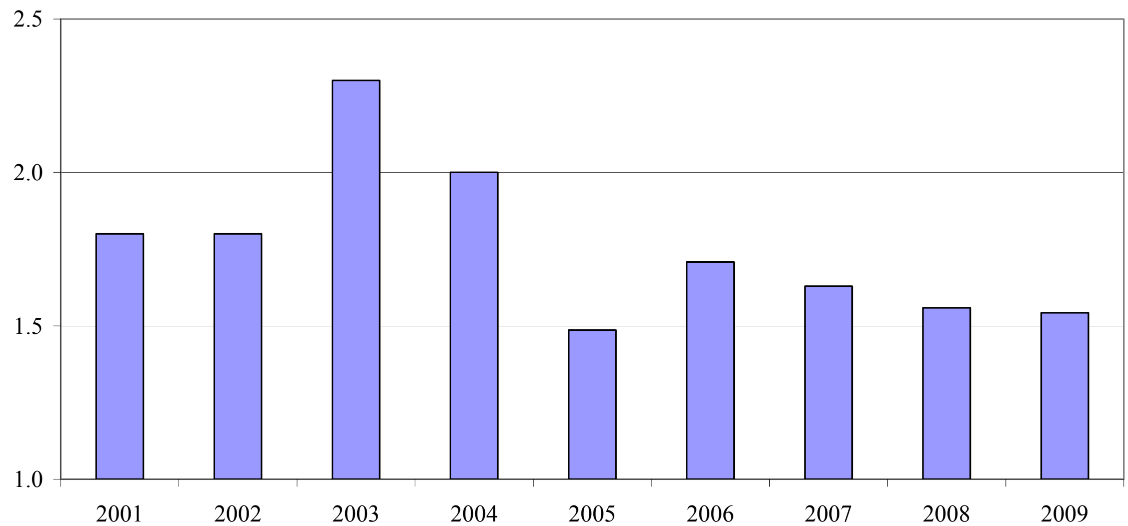
| | Aruba | | | | Peg Arrangement | Currency Board | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 2/ | Countries 3/ 4/ | Countries 4/ 5/ | ECCU 6/ |
| Import coverage (months) | 5.5 | 6.4 | 5.5 | 5.3 | 6.0 | 4.1 | 3.8 |
| Range | | | | | 3.3-9.3 | 2.0-7.6 | 3.2-4.6 |
| Reserves-to-monetary base ratio | 1.52 | 1.56 | 1.50 | 1.31 | 1.1 | 1.6 | 1.0 |
| Range | | | | | 0.9-1.4 | 1.2-2.2 | 0.9-1.0 |
| Reserves-to-M2 ratio | 0.32 | 0.33 | 0.28 | 0.24 | 0.3 | 0.6 | 0.2 |
| Range | | | | | 0.2-0.5 | 0.3-0.8 | 0.17-0.2 |
| Reserves-to-short-term external debt ratio | 1.8 | 1.8 | 2.3 | 2.0 | 1.3 | 3.0 | ... |
| Range | | | | | 0.4-3.6 | 0.4-7.0 | ... |
| Suggested level of reserves (millions US$) 7/ | 217-258 | 254-300 | 200-250 | 221-271 | | | |
| Actual level of reserves (millions US$) 1/ | 324 | 378 | 342 | 343 | | | |

Sources: IMF, *IFS*; BIS-IMF-OECD-World Bank External Debt Statistics; Aruban authorities; and IMF staff calculations.

1/ Excluding net external assets of commercial banks; gold holdings valued at market rate.
2/ Data refer to September 2004.
3/ Cyprus, Latvia, and Malta.
4/ Average of 1998-2002.
5/ Bulgaria, Estonia, and Lithuania.
6/ Eastern Caribbean Currency Union, average of 1999-2002.
7/ Using formulas in Wijnholds and Kapteyn, "Reserve Adequacy in Emerging Market Economies", IMF Working Paper 01/143 (Washington: IMF, 2001).

**Reflecting the high marginal cost of foreign public borrowing, the cost of holding reserves has been significant in Aruba.** Staff calculations show that the average annual cost (net of earnings on reserves) was about 0.6 percent of GDP in 1998–2003.

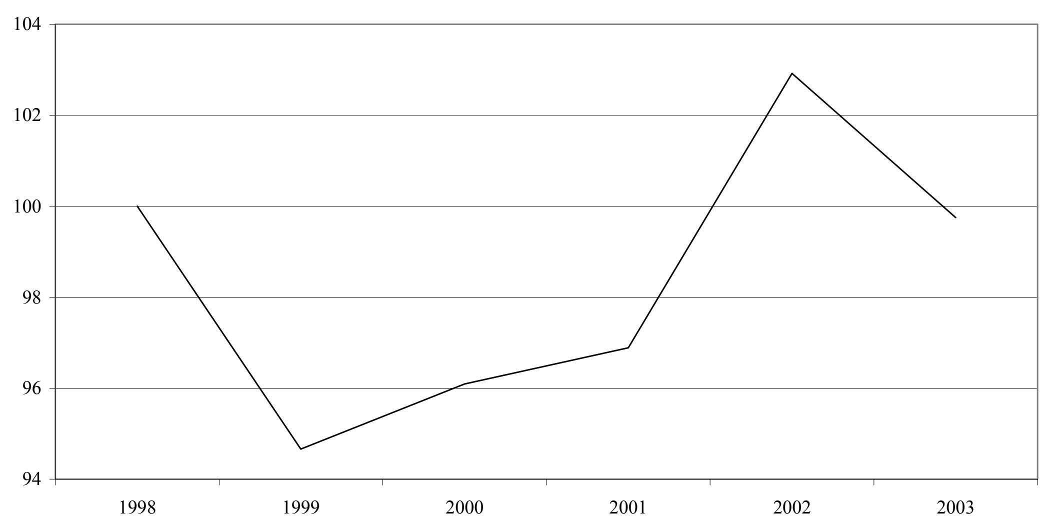
Aruba: Official Reserves-to-Short-Term Debt Ratio, 2001-09 1/




Sources: Aruban authorities; and IMF staff projections (for 2005-09).

1/ Staff projections for 2005-09 assume that official reserves in nominal terms remain unchanged from their 2004 level.

Aruba: Real Effective Exchange Rate Based on Market Shares in Tourism
(1998=100)




Sources: Aruban authorities; and IMF staff calculations.

## D. The Long-Term Growth Challenges

19. **The rapid growth of the 1990s relied on a continuous inflow of immigrants to maintain an ample supply of low-skilled labor, but this strategy kept labor productivity growth low.** While average annual real growth was about 5 percent, labor productivity grew at a low rate—less than 1 percent a year, about half the rate in European countries with similar income levels (Figure 4).[4] At the same time, the population has increased by about 60 percent since 1986 (Figure 5), making Aruba one of the most densely populated islands in the Caribbean. Moreover, over one-third of the population is now foreign-born. There is an emerging consensus in Aruba that the island is nearing its carrying capacity.

20. **With net immigration subsiding, the long-term growth potential will significantly decline, especially if labor productivity trends remain unchanged.** In spite of low fertility rates, the continuous inflow of young immigrants has so far kept the share of the working-age population high (Figure 5). A recent official study, based on the 2000 Census, however, found that halting immigration would almost immediately lead to rapid population aging. Staff noted that, with an unchanged labor productivity trend, this would lower potential growth to below ½ percent by 2020, putting strong pressure on public finances (Table 10).[5]

21. **Fiscal consolidation put aside, meeting the challenges of population aging also requires policies that create conditions for faster productivity growth.** The authorities have made efforts on several fronts to strengthen Aruba's long-term growth potential:

- **They have promoted diversification, including into higher-value-added service industries, though with little success recently.** While the government's policy to create a highly competitive tourism industry has been very successful, many other attempts, including the creation of a free trade zone, have faltered. With a view to finding new ways to diversify, the government has requested a World Bank Foreign Investment Advisory Service review. The plan of the private tourism association to promote, in cooperation with the government, conference tourism (where value-added is higher) is a promising avenue for diversification that builds on existing expertise and infrastructure. Staff welcomed the close cooperation with the private sector in tourism and encouraged the authorities to apply this model to promote diversification in other areas, in particular in financial services. It reported, however, that the private sector representatives with

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[4] The high share of tourism, which relies extensively on low-skilled labor and has low productivity growth, is the main factor explaining these productivity trends.

[5] The accompanying selected issues paper, which was presented in a public seminar, provides a detailed analysis of the long-term growth and fiscal implications of population aging. Staff estimates that the ratio of pension contributors to beneficiaries would decline from about 6 at present to 2½ by 2030, if net immigration were reduced to nil starting in 2005. This decline, which almost fully accounts for the deterioration in the primary position, combined with a resulting slowdown in economic growth and a weak initial primary position, would lead to an escalation of public debt.

whom the mission met considered the poor road infrastructure as a major hindrance to their initiatives.

- **The authorities recognized the importance of improving labor skills to promote higher labor productivity.** The large share of low-skilled labor has locked Aruba into low-value-added service industries, where productivity growth is slow. Recognizing this problem, and to preserve Aruba's achievements in creating high-quality public education, the authorities saw a need for improvements, in particular in areas with high concentrations of immigrants. They also recognized that fiscal reforms were needed to free up resources for education, where expenditure as a share of GDP had remained unchanged in the past years, even though the student population had increased rapidly. Pointing to the strong relationship between educational achievement and poverty, staff encouraged the authorities to monitor the most disadvantaged groups more closely. Staff stressed that lifting these groups out of poverty by promoting higher educational achievement was also central to accelerating economy-wide labor productivity growth.

22. **Maintaining a high level of labor utilization is also essential to sustain growth in the long run.** Aruba's overall level of labor utilization, one of the highest among developed economies, was maintained in the 1990s, owing to high labor force participation and long working hours, in particular among immigrants. Labor utilization among the Aruba-born, better-educated and higher-income population, however, was significantly lower. This suggests that, in the absence of reforms and sizable net immigration, existing trends are likely to lead to a continuous decline in the overall rate of labor utilization. Pointing to low old-age labor participation rates, staff noted that pension reforms, by increasing the effective retirement age, could to a large extent counterbalance this decline.

### E. Improving the Quality of Public Institutions

23. **There was an agreement that the central bank law needed to be reviewed with a view to strengthening the legal framework for central bank independence.** In assessing the law, staff noted that the term in office of the CBA president and modalities of dismissal were not stipulated by law but instead set on an ad hoc basis in a private contract. Moreover, the existing legislation provides the government-appointed supervisory board with wide-ranging control over the management of the CBA, including close control over its operational budget and opportunities to interfere with monetary policymaking. The law also allows for the direct financing of the budget, though only for temporary needs and upon the approval of the CBA president. While agreeing that a review of the law would be useful, the monetary authorities explained that the actual practice provided the CBA with a high degree of operational independence and that the CBA had for long refrained from providing any financing for the government. To avoid delays, the government expressed interest in receiving assistance with preparing the necessary amendments.

24. **Progress in restructuring public companies has been slow.** The planned incorporation of public sector utility companies to improve their governance has been delayed. The private sector representatives with whom the mission met said that they were

disappointed by the lack of progress in this area and were strongly critical of the expansion of the activities of public companies into areas where the private sector could thrive, such as cable TV or garbage collection. Staff urged rapid progress on this front and noted that the restructuring of public companies was also needed to strengthen wage discipline in this sector. The mission also emphasized the importance of opening up, where possible, the markets of these companies to competition.

25. **Though national accounts at current prices and general government fiscal accounts have been compiled, little progress has been made in improving price and labor market statistics.** As a result, national accounts at constant prices and terms of trade data are still not available, and basic labor market statistics are not produced on a regular basis. Moreover, the general government statistics published by the Central Bureau of Statistics (CBS) need to be reconciled with the data produced by the Finance Directorate. The CBS management explained that long-awaited household and labor market surveys had had to be postponed because of the lack of funding. Moreover, they thought that the CBS needed technical assistance in several areas to tackle these problems. Noting that the lack of proper and timely data hindered macroeconomic policymaking, staff urged the government to provide the CBS with adequate funding and offered to help in securing and coordinating external technical assistance.

### F. Financial Sector

26. **The authorities are confident that the banking system is sound and well supervised** (Table 11). They explained that the successful takeover and subsequent restructuring of a small bank by one of the large commercial banks on commercial terms—a model for future interventions—had significantly improved the overall soundness of the system. Staff welcomed the decisive approach the authorities had taken to deal with problem banks and encouraged them to remain vigilant, especially because of the absence of deposit insurance in Aruba. Staff, however, agreed with the representatives of the Aruba's Bankers Association that this absence encouraged prudent risk management. Noting the persistently high after-tax return on equity in banking, staff encouraged the authorities to seek ways to increase competition.

27. **Central bank supervision has been strengthened to combat money laundering, but the legislation on the supervision of insurance intermediaries and company service providers has been delayed.** The CBA has issued new directives on credit and foreign exchange risks and carried out on-site examinations to assess key risk areas. Moreover, the cooperation with banking supervision authorities in the Netherlands Antilles and the United States has been strengthened. To comply with the recommendations of the Financial Action Task Force, the authorities adopted a law on the supervision of money transfer companies. However, the government's Department of Legal and Legislative Affairs has lacked the capacity to process the draft legislation on the supervision of company service providers for submission to parliament. Staff stressed the importance of these laws to improve the supervision of the financial system and strengthen Aruba's capacity to fight money

laundering and urged the authorities to make every effort to overcome the legislative bottleneck.

### G. International Trade

28. **Aruba's has refrained from erecting nontariff trade barriers, but the tariff structure has remained overly complex, distorting economic activity and imposing an unnecessary burden on revenue administration.** There are no import quotas, and import licensing is limited to fresh eggs, arms, and medication. The tariff structure, however, has been left largely unchanged since 1986, with rates ranging from nil on raw materials and semifinished goods to 40.5 percent on vehicles. Staff encouraged the authorities to simplify the tariff structure in a revenue-neutral manner.

29. **The authorities plan to abolish the tax on payments to nonresidents, which is a foreign exchange restriction subject to Fund approval under Article VIII, Section 2(a) of the Articles of Agreement of the IMF.**[6] This tax, amounting to 1.3 percent of the transaction value and levied on any payment by a resident to a nonresident, yields about 0.4 percent of GDP revenue to the government. The authorities plan to replace it with a license fee for banks providing foreign exchange services.

## III. Staff Appraisal

30. **Aruba should build on its success to meet the challenges of the twenty-first century.** Sound institutions and prudent policies helped Aruba achieve a high level of economic and social development after gaining autonomy. At this stage, however, further wide-ranging policy and institutional reforms are needed to secure Aruba's long-term prosperity. The key tasks are to consolidate public finances in the medium term, to pursue a new strategy to enhance the long-term growth potential of the country and address the problems of rapid population aging, and to improve further the quality of public institutions.

31. **The favorable cyclical position provides a good opportunity to rein in the widening fiscal deficit.** With a strong economy, a fiscal stimulus is unnecessary. Moreover, it is also detrimental from the standpoint of narrowing the non-oil current account deficit and keeping inflationary pressures in check. Notwithstanding election pressures, efforts should be made to meet the original budget deficit target in 2005, including measures to curtail expenditure on purchased goods and services, wages, and health care. This would rebalance the policy mix and thus reduce the need for the central bank to keep monetary conditions tight. To improve the budget process, the factors that lead to persistent revenue overestimation should be identified and eliminated.

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[6] This tax was introduced when Aruba was part of the Netherlands Antilles to generate revenue for the government, and Aruba adopted it after gaining autonomy (*status aparte*) in 1986. Since then, it has served as a source of general tax revenue for the central government.

32. **Monetary policy should for now remain on hold, barring the reappearance of inflationary pressures.** Given a favorable inflation outlook and a considerable narrowing of the underlying current account deficit of the non-oil sector, there is no immediate need for further monetary tightening. Nonetheless, the CBA should closely follow inflation and current account trends and stand ready to tighten the monetary policy stance if necessary, in particular if fiscal policy remains loose. Although the reintroduction of credit ceilings seems to have been effective, the CBA should strive to rely increasingly on market-based monetary policy instruments in the future.

33. **Aruba has preserved its competitiveness, and the peg to the U.S. dollar remains appropriate, but international reserves need to be strengthened to raise resilience to external shocks.** Given Aruba's vulnerability to external shocks and the rapid increase in public external debt in the past few years, reserves—while still broadly adequate— should be raised to reverse the erosion since 2002. Costs, however, should be carefully weighed against benefits before increasing reserves above this level.

34. **In light of the rapid growth of public debt, continued fiscal adjustment is essential in the medium run.** Public indebtedness should be reduced to a safer level to lessen Aruba's vulnerability to external and internal shocks. Measures to halt the rapid growth of the government payroll should be a central element of this adjustment. Further reforms to reduce health care costs, including measures to limit the demand for health care services, to restore APFA's capital base, and to reform the universal pay-as-you-go pension system before the onset of aging should be the other main areas of reform.

35. **Introducing a medium-term fiscal framework and a fiscal responsibility law would be key steps to promote fiscal consolidation and enhance the transparency and credibility of macroeconomic policies.** As a first step, an expenditure policy review would help set new budget priorities and identify expenditure reform options. Setting rolling three-to-five-year nominal ceilings on main expenditure categories—backed by well-identified fiscal reforms—would provide a suitable framework for medium-term fiscal consolidation. A fiscal responsibility act, stipulating a transparent fiscal rule, would enhance the credibility of fiscal policy.

36. **Further tax reforms are needed to broaden the tax base, narrow the tax wedge on labor, and simplify taxes.** The introduction of a broad-based consumption tax is key to achieving these goals. A simplification of the personal income tax regime would greatly ease the burden on the tax administration. A lower marginal rate for high-income taxpayers would also make Aruba a more desirable location for skilled labor and, thereby, facilitate the development of high-value-added service industries. The outdated import tariff structure also needs to be simplified to eliminate trade distortions.

37. **Aruba needs to take early action to sustain growth in the face of rapid population aging.** In addition to fiscal consolidation and pension reforms, the economy's growth potential needs to be raised. This will require reforms to maintain high labor utilization and create the conditions for faster productivity growth, including by improving

education and public infrastructure. The cost of postponing reforms is prohibitive, as in their absence, growth would decline to a very low level and public debt would escalate in the long run.

38. **While the banking system is generally sound and well supervised, a legal framework to extend central bank supervision to insurance intermediaries and company service providers needs to be created.** The bottleneck in drafting and vetting legislation that is hindering the introduction of much-needed supervisory and anti-money-laundering legislation should be eliminated.

39. **Central bank legislation needs to be modernized, with a view to strengthening central bank independence.** In particular, the term of the CBA president, the reasons for, and the modalities of, dismissal, the exclusion of government officials from policymaking bodies, and the explicit prohibition of direct financing of the government by the central bank should be stipulated by law. In fact, in many areas, these changes would legislate long-existing practices in Aruba.

40. **As it was not introduced for balance-of-payments reasons, staff does not recommend approval of the foreign exchange restriction arising from the foreign exchange tax on payments to nonresidents.** Moreover, to promote free trade, staff urges the authorities to phase out this tax as soon as possible. In drafting the regulation on the new license fee for banks offering foreign exchange services, cooperation with the Fund would be important to ensure that the regulation is in full compliance with the Articles of Agreement.

41. **The government should reinvigorate its efforts to improve statistics.** While data are broadly adequate for surveillance, macroeconomic policymaking could be usefully supported by important improvements in several areas. In particular, national accounts, government finance, and labor market statistics urgently need strengthening, and sufficient funds should be allocated to the CBS to conduct regular labor market and family budget surveys. These surveys would also allow the CBS to compile a core set of social indicators to support social policy formulation.

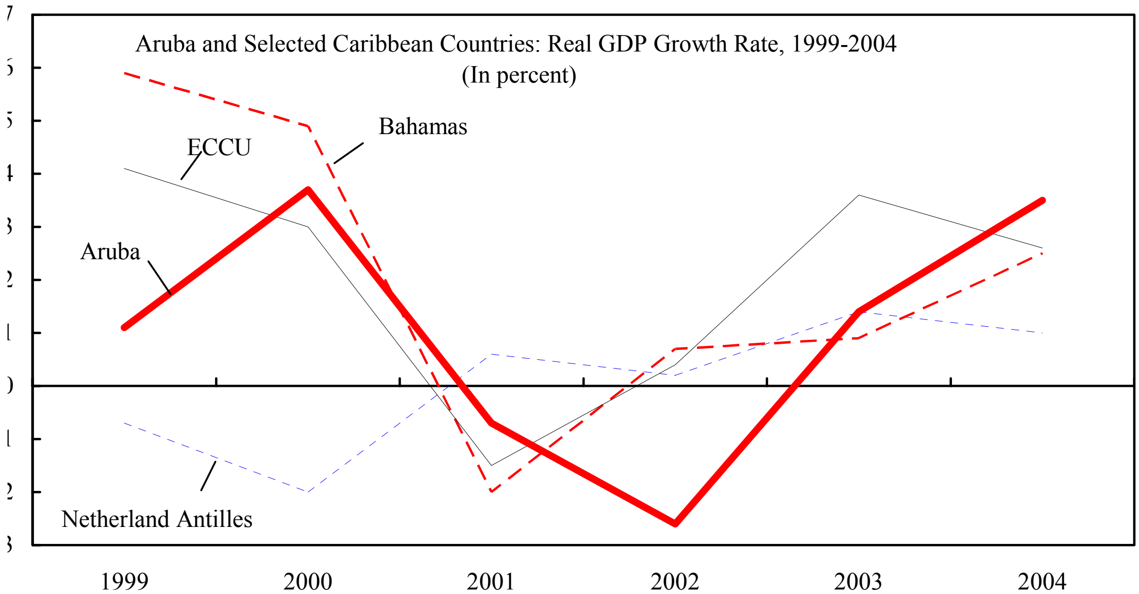
42. It is recommended that the next Article IV consultation with Aruba remain on the 24-month cycle.

Figure 1. Aruba: Selected Indicators

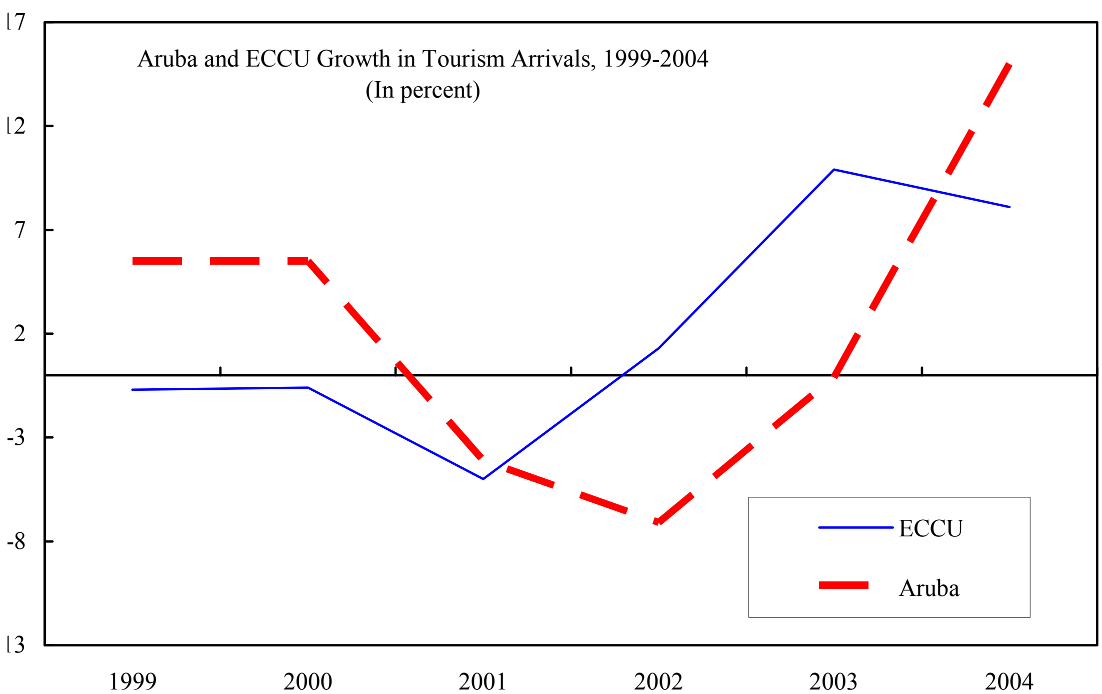

Sources: CBS; Aruba Tourism Authority; Aruba Hotel and Tourism Association; Coastal Aruba Refining Co. N.V.; Valero Aruba Refining Co, N.V.; Department of Public Works; Department of Technical Inspection; CBA; and IMF staff estimates.

1/ Excludes additions to and remodeling of existing houses.
2/ Relative to the U.S. dollar. CPI based. Period average.

Figure 2. Aruba: The Recovery from the 2001 Recession from a Regional Perspective

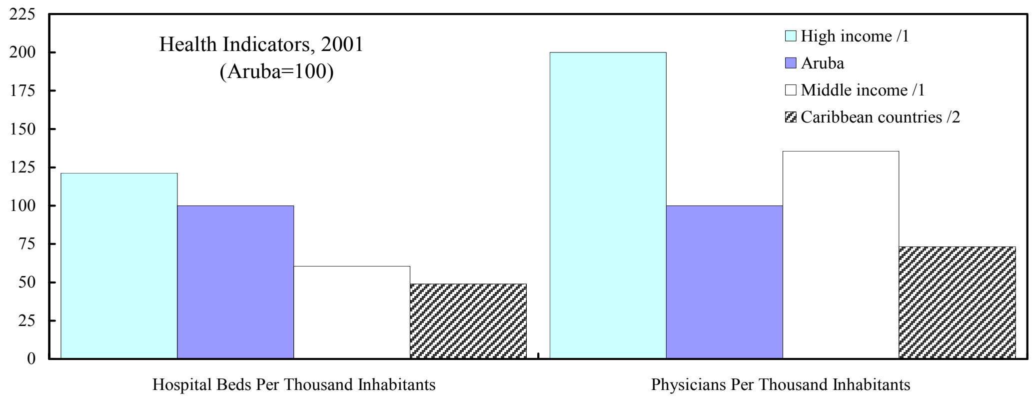


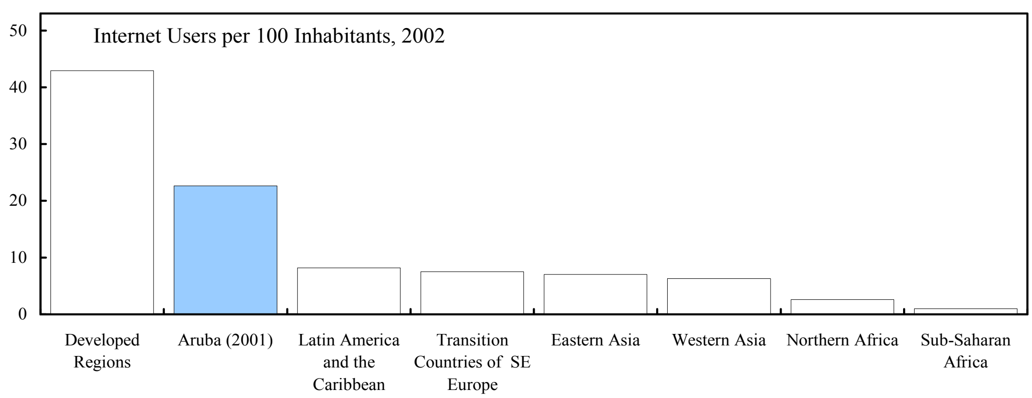

Sources: Data provided by the Aruban authorities; and IMF country reports.

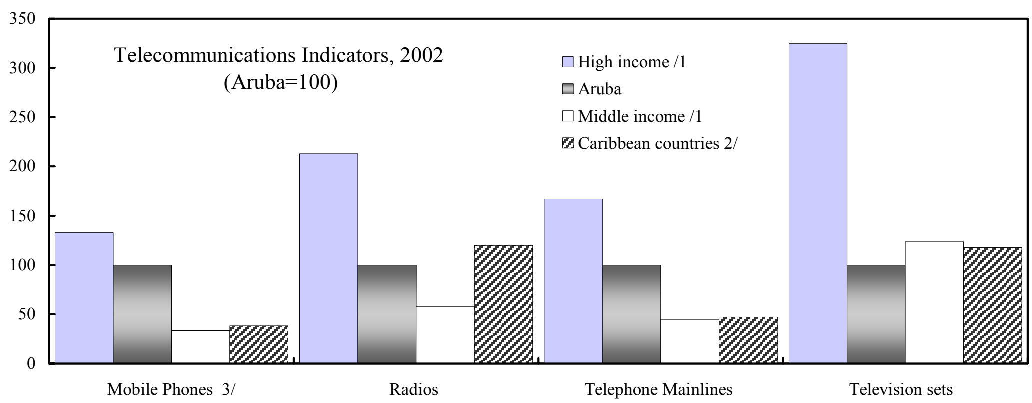



Sources: Data provided by the Aruban authorities; and IMF country reports.

Figure 3. Aruba and Comparator Countries: Selected Development Indicators



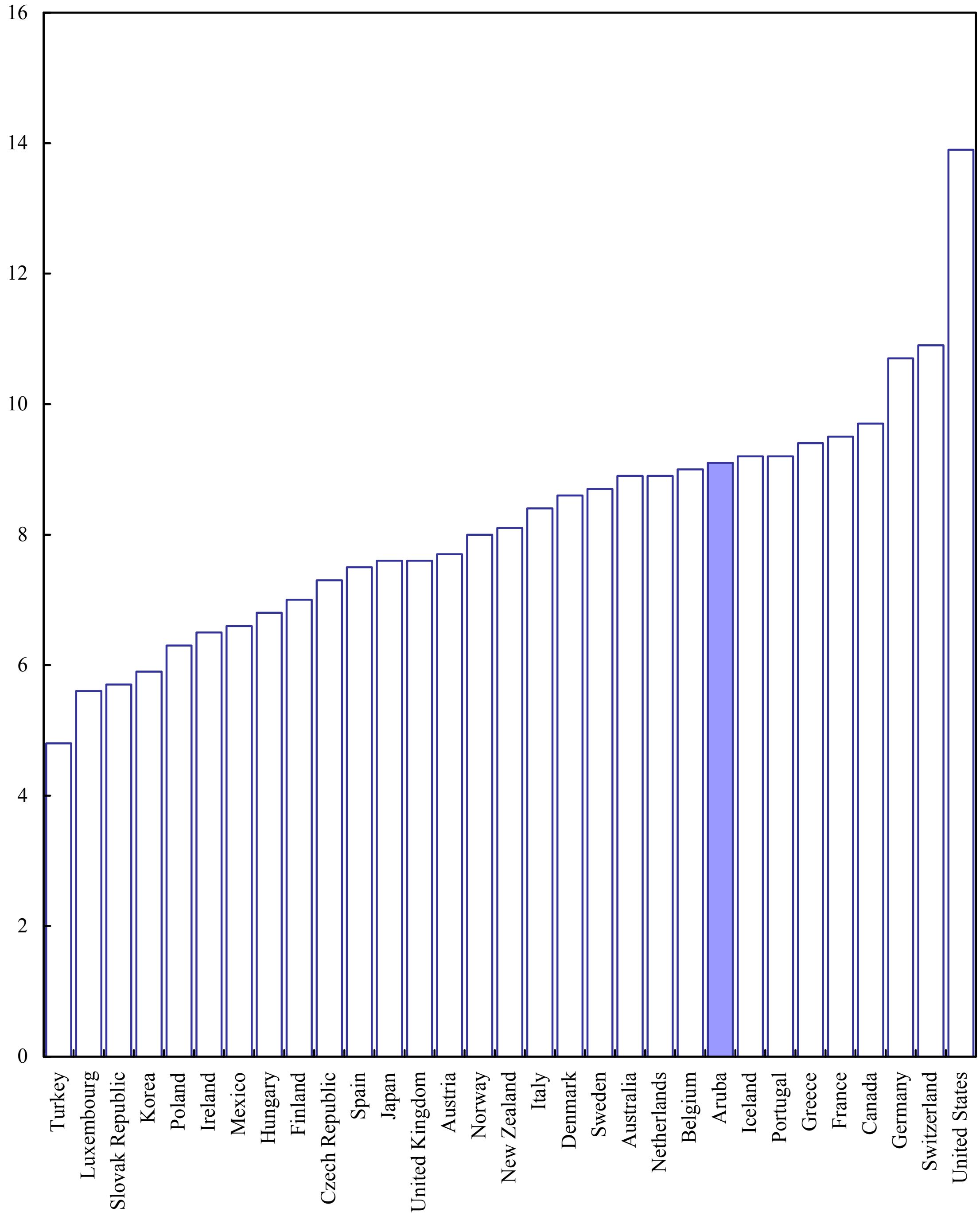

Sources: Human Development Report 2004; Statistical Yearbook for Latin America and the Caribbean 2003; and World Development Indicators DataBase.

1/ Economies with 2003 GNI per capita equal to $766-$9,385 are considered middle-income countries. Similarly, any economy with 2003 GNI per capita above $9,385 is considered a high-income country.

2/ Data refer to the average of the Bahamas, Bermuda, Puerto Rico, St. Kitts and Nevis, and St. Vincent and the Grenadines.

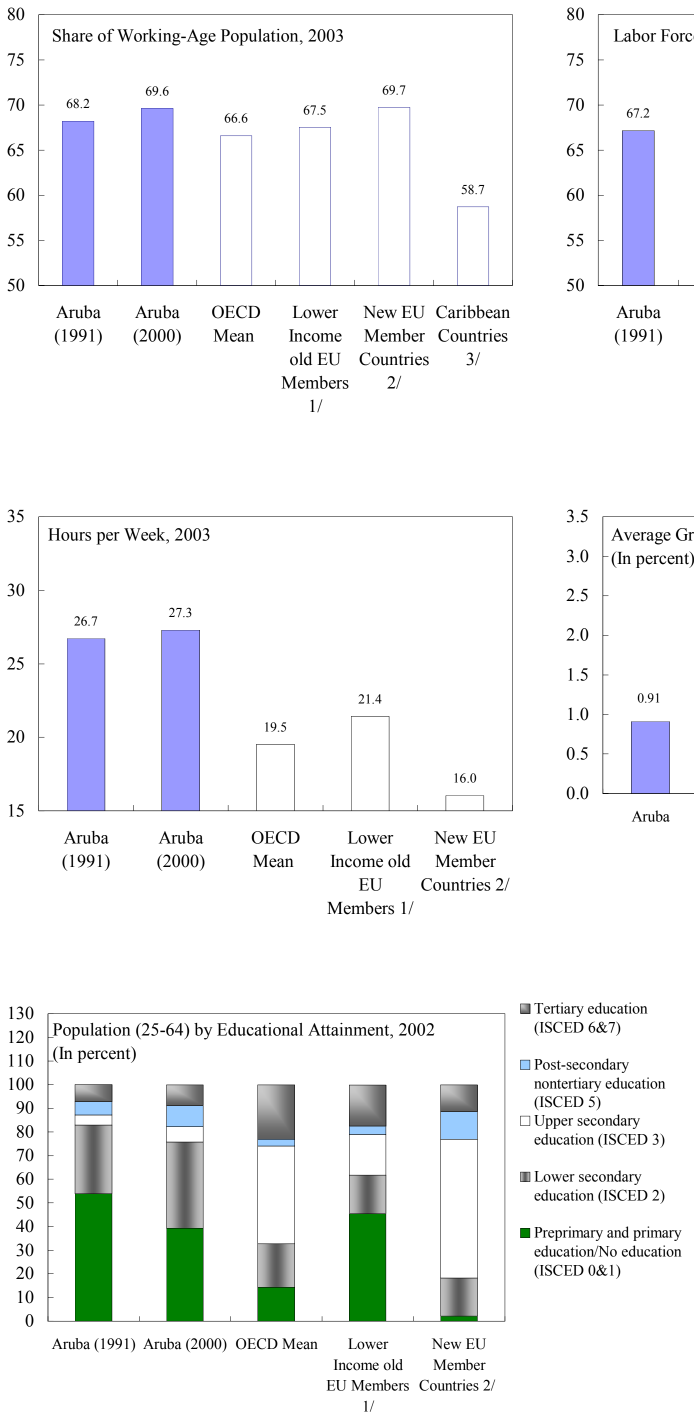
3/ Data refer to 1999 for high income countries, 2003 for Aruba, and 1997 for middle-income countries.

Figure 4. Aruba and Selected Countries: Health Care Spending, 2001
(In percent of GDP)




Source: OECD Health Data.

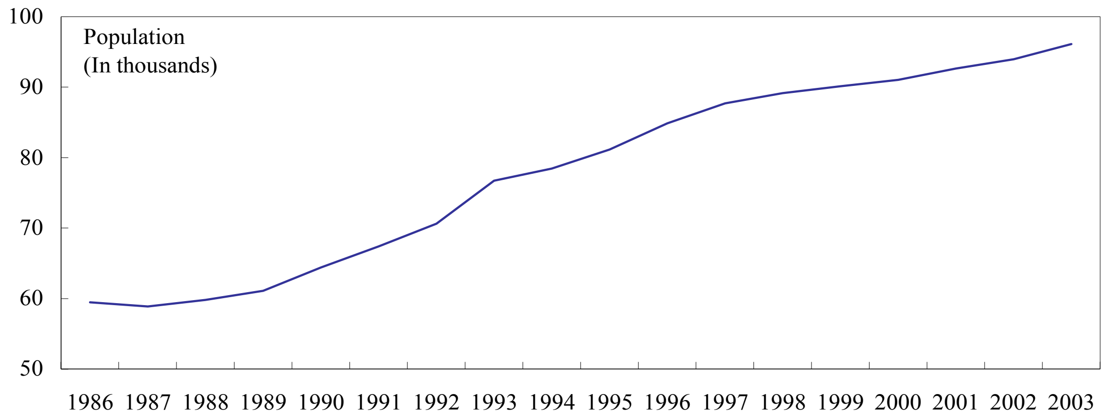
Figure 5. Aruba: The Labor-Intensive Growth of the 1990s

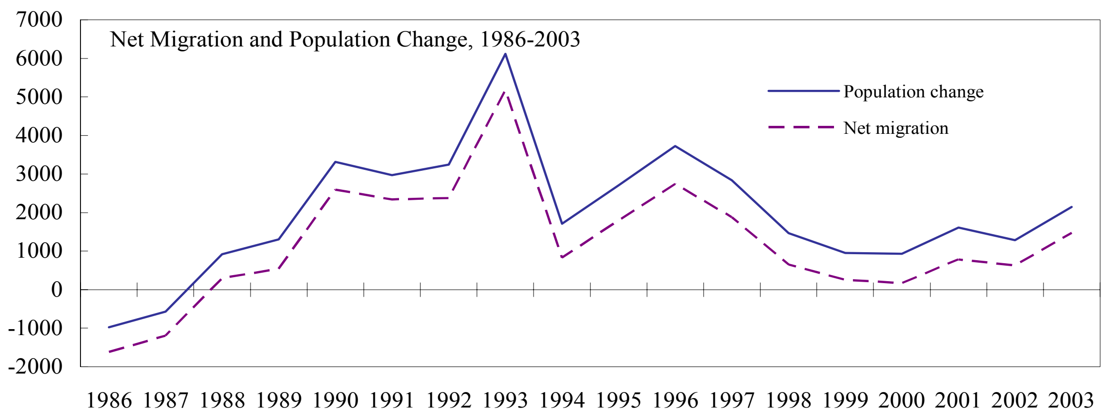


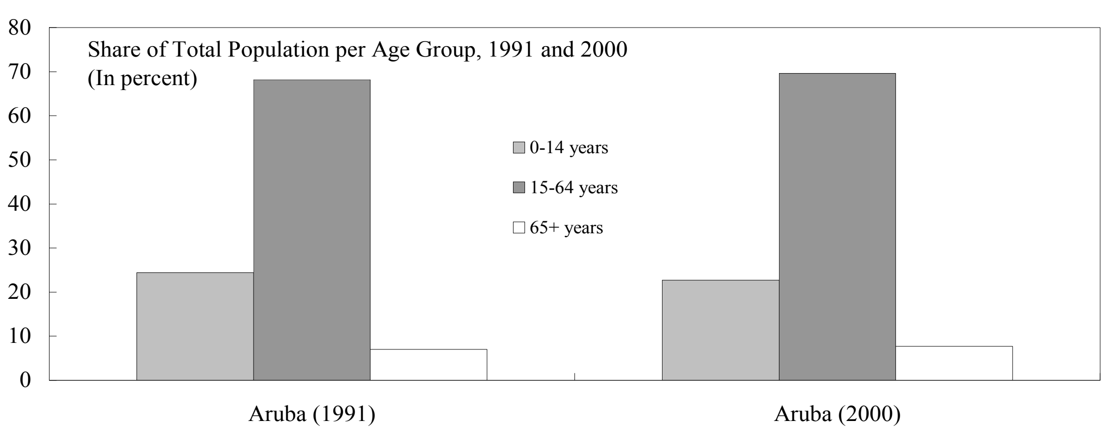

Sources: Aruba's Population Census 1991 and 2000; OECD (2003); ILO, Caribbean Labor Statistics (selected years).

1/ Average of Spain, Greece, and Portugal.
2/ Average of Czech Republic, Hungary, Poland, and Slovak Republic.
3/ Average of Bahamas (1998), Barbados (2002), Cayman Islands (1996) and Trinidad and Tobago (2002).

Figure 6. Aruba: Demographic Indicators




Sources: Census data in 1991 and 2000; AMIS 2003.

Table 1. Aruba: Basic Data, 1997-2005

| | |
|---|---|
| Area | 193 square kilometers |
| Population (2003) | 96,000 |
| GDP per capita (2003) | US$21,200 |
| **Social indicators** | |
| Literacy rate, in percent (2003) | 98.00 |
| Life expectancy at birth (2003) | 73.06 |
| Infant mortality (percent of live births) (2000) | 0.01 |
| Death rate, in percent (2003) | 0.52 |
| Percent of population below age 15 (2003) | 22.0 |
| Percent of population aged 65+ (2003) | 8.1 |

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | Staff Projection 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (Percent change) | | | | | |
| **GDP (in constant prices) 1/** | | | | | | | | | |
| GDP | 7.8 | 6.7 | 1.1 | 3.7 | -0.7 | -2.6 | 1.4 | 3.5 | 3.2 |
| Final consumption | 7.5 | 5.0 | 3.3 | 1.1 | 2.1 | 3.8 | 1.8 | 3.6 | 3.0 |
| Investment | 14.5 | 11.8 | -1.5 | -17.4 | -9.3 | 1.3 | 19.0 | 11.9 | 10.2 |
| Exports | 2.7 | 3.0 | 1.5 | -3.5 | -3.1 | -7.0 | -4.5 | 2.1 | 1.6 |
| Imports | 4.8 | 3.5 | 2.3 | -13.0 | -3.4 | 0.8 | 1.7 | 5.5 | 4.4 |
| **Inflation and exchange rate** | | | | | | | | | |
| CPI (period average) | 3.0 | 1.9 | 2.3 | 4.1 | 2.9 | 3.3 | 3.7 | 2.5 | 2.5 |
| Real exchange rate index (2000=100) 2/ | 99.0 | 99.3 | 99.4 | 100.0 | 100.0 | 101.7 | 103.1 | 103.0 | 102.5 |
| | | | | (Percent of GDP) | | | | | |
| **Balance of payments 1/** | | | | | | | | | |
| Current account | -12.8 | -0.9 | -24.1 | 12.5 | 17.5 | -17.2 | -7.7 | -5.3 | -5.6 |
| Oil sector | -11.7 | -0.3 | -20.6 | 14.0 | 18.3 | -8.7 | 1.8 | 0.3 | -0.3 |
| Non-oil | -1.1 | -0.5 | -3.5 | -1.5 | -0.8 | -8.5 | -9.6 | -5.6 | -5.4 |
| Financial and capital account | 11.5 | 6.2 | 25.9 | -14.5 | -13.0 | 17.3 | 4.6 | 5.3 | 5.8 |
| *Of which* | | | | | | | | | |
| Direct Investment | 12.9 | 4.9 | 23.2 | -6.7 | -14.5 | 13.9 | 8.1 | ... | ... |
| Portfolio Investment | 2.9 | -2.9 | -2.8 | -2.3 | 1.1 | 2.0 | 2.9 | ... | ... |
| Loans to central government | -0.6 | 1.3 | 0.4 | 0.7 | 0.7 | 1.4 | -3.5 | ... | ... |
| Change in reserves (-=increase) 3/ | 1.1 | -3.1 | -0.2 | 0.8 | -4.4 | -2.1 | 1.8 | 0.0 | -0.2 |
| **Monetary aggregates** | | | | | | | | | |
| Net foreign assets | -7.9 | 40.4 | 3.4 | -8.1 | 24.4 | 5.9 | -8.8 | 7.1 | ... |
| Net domestic assets | 10.8 | 1.8 | 14.4 | 7.7 | -2.3 | 13.1 | 18.1 | -1.1 | ... |
| Domestic credit | 8.6 | 5.8 | 12.1 | 8.4 | 2.1 | 10.3 | 12.8 | 2.7 | ... |
| To private sector | 5.5 | 5.7 | 10.3 | 9.5 | 3.7 | 12.4 | 11.3 | 3.0 | ... |
| Money and quasi-money | 4.6 | 13.1 | 10.4 | 2.3 | 5.9 | 10.5 | 8.9 | 1.9 | ... |
| Money | 6.3 | 15.6 | 7.9 | 1.0 | 17.6 | 20.5 | 10.5 | 1.7 | ... |
| Quasi-money | 3.7 | 11.7 | 11.8 | 3.0 | -0.2 | 4.3 | 7.7 | 2.0 | ... |
| **Public finances central government** | | | | | | | | | |
| Revenue and grants | 22.9 | 21.7 | 22.8 | 22.3 | 21.5 | 22.0 | 22.3 | 22.2 | 21.9 |
| Expenditure | 25.3 | 20.7 | 21.9 | 23.6 | 24.5 | 24.1 | 25.0 | 26.6 | 26.2 |
| Balance | -2.4 | 1.0 | 0.9 | -1.3 | -3.0 | -2.1 | -2.6 | -4.4 | -4.4 |
| Balance incl. AZV 4/ | -2.4 | 1.0 | 0.9 | -1.3 | -4.1 | -3.4 | -3.5 | -5.5 | -5.2 |
| **Government debt** | | | | | | | | | |
| External | 12.1 | 13.1 | 11.9 | 11.3 | 11.6 | 15.3 | 20.3 | 22.4 | 23.4 |
| Domestic | 27.2 | 17.5 | 16.3 | 17.2 | 20.9 | 21.0 | 21.4 | 22.4 | 23.4 |
| **Interest rates, in percent 5/** | | | | | | | | | |
| Deposit rate | 4.4 | 4.8 | 6.17 | 6.20 | 5.84 | 5.56 | 5.33 | 4.9 | ... |
| Lending rate | 10.2 | 10.4 | 13.14 | 12.07 | 12.10 | 13.08 | 11.50 | 11.4 | ... |

Sources: Data provided by the Aruban authorities; and IMF staff estimates.

1/ Data for 2004 and 2005 are IMF staff estimates.
2/ Relative to the U.S. dollar. CPI based. Period average.
3/ Including gold, excluding revaluation differences.
4/ The health care fund (AZV) was introduced in 2001.
5/ Data for 2004 refer to the first quarter.

Table 2. Aruba: Estimated GDP and Components, 1995-2009

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In millions of Aruban florins at current prices) | | | | | | | | | | | | | | | |
| Final consumption expenditure 1/ | 1,665 | 1,819 | 2,014 | 2,155 | 2,276 | 2,396 | 2,517 | 2,698 | 2,847 | 3,024 | 3,193 | 3,365 | 3,542 | 3,727 | 3,922 |
| Real percentage change | | 5.9 | 7.5 | 5.0 | 3.3 | 1.1 | 2.1 | 3.8 | 1.8 | 3.6 | 3.0 | 2.3 | 2.2 | 2.2 | 2.2 |
| Household final consumption expenditure | 1,193 | 1,320 | 1,367 | 1,500 | 1,602 | 1,664 | 1,712 | 1,800 | 1,908 | 2,015 | 2,117 | 2,235 | 2,359 | 2,491 | 2,630 |
| Real percentage change | | 7.2 | 0.5 | 7.7 | 4.4 | -0.2 | 0.0 | 1.8 | 2.3 | 3.0 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Government final consumption expenditure | 472 | 498 | 647 | 655 | 674 | 731 | 805 | 899 | 939 | 1,009 | 1,076 | 1,130 | 1,183 | 1,236 | 1,292 |
| Real percentage change | | 2.4 | 26.1 | -0.7 | 0.6 | 4.3 | 7.0 | 8.1 | 0.8 | 4.9 | 4.0 | 2.0 | 1.7 | 1.5 | 1.5 |
| Gross capital formation 1/ | 736 | 703 | 830 | 945 | 952 | 818 | 763 | 798 | 985 | 1,129 | 1,275 | 1,409 | 1,532 | 1,637 | 1,749 |
| Real percentage change | | -7.4 | 14.5 | 11.8 | -1.5 | -17.4 | -9.3 | 1.3 | 19.0 | 11.9 | 10.2 | 7.3 | 5.6 | 3.7 | 3.7 |
| Private gross capital formation | 680 | 645 | 758 | 905 | 911 | 790 | 735 | 776 | 935 | 1,059 | 1,200 | 1,332 | 1,452 | 1,553 | 1,662 |
| Real percentage change | | -8.1 | 14.1 | 17.2 | -1.6 | -16.7 | -9.6 | 2.2 | 16.2 | 10.5 | 10.6 | 7.7 | 5.8 | 3.9 | 3.9 |
| Public gross capital formation | 56 | 58 | 71 | 40 | 41 | 28 | 28 | 22 | 50 | 70 | 74 | 77 | 81 | 84 | 87 |
| Real percentage change | | 1.1 | 19.3 | -45.1 | 0.2 | -34.4 | -2.8 | -23.9 | 118.8 | 36.6 | 3.8 | 1.1 | 1.2 | 0.9 | 0.8 |
| Exports of goods and services 1/ 2/ | 2,007 | 2,140 | 2,263 | 2,374 | 2,465 | 2,476 | 2,467 | 2,370 | 2,346 | 2,454 | 2,555 | 2,692 | 2,827 | 2,969 | 3,119 |
| Real percentage change | | 3.3 | 2.7 | 3.0 | 1.5 | -3.5 | -3.1 | -7.0 | -4.5 | 2.1 | 1.6 | 2.3 | 1.9 | 2.0 | 2.0 |
| *Of which:* tourism exports of goods and services | 1,024 | 1,097 | 1,159 | 1,210 | 1,292 | 1,443 | 1,459 | 1,327 | 1,332 | 1,489 | 1,617 | 1,749 | 1,856 | 1,969 | 2,089 |
| Real percentage change | | 3.9 | 2.5 | 2.5 | 4.4 | 7.3 | -1.7 | -11.9 | -3.2 | 9.0 | 6.0 | 5.0 | 3.0 | 3.0 | 3.0 |
| Less: imports of goods and services 1/ | 2,044 | 2,191 | 2,365 | 2,493 | 2,610 | 2,363 | 2,348 | 2,445 | 2,578 | 2,788 | 2,982 | 3,206 | 3,394 | 3,591 | 3,801 |
| Real percentage change | | 3.9 | 4.8 | 3.5 | 2.3 | -13.0 | -3.4 | 0.8 | 1.7 | 5.5 | 4.4 | 4.4 | 2.8 | 2.7 | 2.8 |
| Gross domestic product at market prices | 2,364 | 2,470 | 2,742 | 2,981 | 3,083 | 3,327 | 3,399 | 3,421 | 3,599 | 3,819 | 4,041 | 4,260 | 4,507 | 4,743 | 4,989 |
| Real percentage change | | 1.3 | 7.8 | 6.7 | 1.1 | 3.7 | -0.7 | -2.6 | 1.4 | 3.5 | 3.2 | 2.4 | 2.7 | 2.2 | 2.1 |
| CPI | | 3.2 | 3.0 | 1.9 | 2.3 | 4.1 | 2.9 | 3.3 | 3.7 | 2.5 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 |

Sources: CBA; and IMF staff projections.

1/ Real percentage changes are computed using consumer price inflation.

2/ Trade data exclude the imports of crude oil and exports of refined petroleum products. However, an estimation of the net value added of the Coastal oil refinery is included in the exports data.

Table 3. Aruba and Selected EU Countries: Income Per Capita (2003)

(In U.S. dollars, PPP)

| | GDP per capita |
|---|---|
| **EU Countries** | |
| EU 15 | 26,700 |
| Euro Zone | 26,200 |
| OECD-Europe | 22,500 |
| **Aruba** | **21,158** |
| Lower income EU old members 1/ | 20,400 |
| New EU member countries 2/ | 10,175 |

Sources: CBA; CBS; IMF; OECD.

1/ Data refer to the average of Greece, Portugal, and Spain.
2/ Data refer to the average of Czech Republic, Hungary, Poland, and Slovak Republic.

Table 4. Aruba: Central Government Budgetary Operations, 1997-2009

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | | 2005 | | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Budget 1/ | Staff Proj. | Budget 1/ | Staff Proj. | Staff Projection | | | |
| | (In percent of GDP) | | | | | | | | | | | | | | |
| Revenue | 22.9 | 21.7 | 22.8 | 22.3 | 21.5 | 22.0 | 22.3 | 24.4 | 22.2 | 24.1 | 21.9 | 21.6 | 21.5 | 21.4 | 21.3 |
| Taxes | 18.2 | 18.0 | 19.7 | 18.8 | 17.8 | 17.8 | 19.1 | 20.0 | 19.2 | 20.2 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 |
| Nontax revenue | 3.3 | 3.2 | 3.0 | 3.0 | 3.7 | 3.0 | 2.4 | 3.7 | 2.2 | 3.4 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Grants | 1.4 | 0.5 | 0.0 | 0.5 | 0.0 | 1.1 | 0.8 | 0.7 | 0.8 | 0.5 | 0.6 | 0.5 | 0.4 | 0.3 | 0.2 |
| Expenditure | 25.3 | 20.7 | 21.9 | 23.6 | 24.5 | 24.1 | 25.0 | 26.5 | 26.6 | 26.0 | 26.2 | 26.3 | 26.5 | 26.7 | 27.0 |
| Current spending | 22.3 | 19.7 | 21.0 | 22.7 | 24.0 | 23.6 | 23.8 | 24.3 | 24.9 | 24.0 | 24.6 | 24.7 | 24.9 | 25.1 | 25.4 |
| Labor costs 2/ | 12.6 | 11.4 | 11.5 | 12.5 | 13.1 | 13.8 | 12.9 | 11.8 | 12.2 | 11.5 | 11.9 | 11.8 | 11.6 | 11.5 | 11.4 |
| Goods and services 3/ | 6.2 | 5.0 | 5.5 | 6.5 | 5.2 | 3.3 | 4.2 | 4.6 | 6.7 | 4.4 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| Interest | 0.9 | 1.0 | 1.1 | 0.9 | 1.1 | 1.1 | 1.2 | 1.7 | 1.7 | 2.0 | 2.0 | 2.2 | 2.5 | 2.9 | 3.3 |
| Other current spending | 2.7 | 2.3 | 2.9 | 2.8 | 4.6 | 5.3 | 5.4 | 6.3 | 4.4 | 6.1 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| Capital spending | 2.9 | 1.1 | 0.8 | 0.9 | 0.5 | 0.5 | 1.2 | 2.2 | 1.7 | 2.0 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| Balance (on a commitment basis) | -2.4 | 1.0 | 0.9 | -1.3 | -3.0 | -2.1 | -2.6 | -2.1 | -4.4 | -1.9 | -4.4 | -4.7 | -5.0 | -5.3 | -5.6 |
| Statistical discrepancy | -0.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... | ... |
| Financing | 2.3 | -0.7 | -0.7 | 1.2 | 3.0 | 2.1 | 2.6 | 2.1 | ... | 1.9 | ... | ... | ... | ... | ... |
| Foreign | -0.6 | 1.3 | 0.4 | 0.7 | 0.8 | 2.8 | -0.8 | 2.8 | ... | -2.5 | ... | ... | ... | ... | ... |
| Domestic | 2.9 | -2.0 | -1.2 | 0.5 | 2.2 | -0.7 | 3.5 | -0.8 | ... | 4.5 | ... | ... | ... | ... | ... |
| Monetary system | 1.2 | 0.0 | 0.7 | -0.4 | -0.7 | -1.1 | 0.5 | 0.0 | ... | 0.0 | ... | ... | ... | ... | ... |
| Nonmonetary sectors | 1.1 | -0.8 | -0.3 | -0.5 | 0.4 | 0.1 | 0.3 | -0.7 | ... | 4.3 | ... | ... | ... | ... | ... |
| Change in unmet payment obligations | 1.2 | -0.2 | -0.3 | 1.9 | 3.4 | 0.2 | 0.7 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net lending | 0.6 | 1.1 | 1.2 | 0.5 | 0.9 | -0.1 | -2.0 | 0.1 | 1.3 | -0.1 | -0.1 | -0.8 | -0.7 | -0.6 | -0.6 |
| Memorandum items: | | | | | | | | | | | | | | | |
| Deficit including AZV (on a commitment basis) | -2.4 | 1.0 | 0.9 | -1.3 | -4.1 | -3.4 | -3.5 | ... | -5.5 | -2.2 | -5.2 | -5.6 | -5.8 | -6.2 | -6.5 |
| Health care fund balance (on a commitment basis) 4/ | ... | ... | ... | ... | -1.1 | -1.3 | -0.9 | ... | -1.0 | -0.3 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 |
| Stock of unmet payment obligations 5/ | 3.8 | 3.3 | 2.9 | 4.6 | 7.9 | 8.1 | 8.4 | ... | 8.1 | ... | 7.7 | 7.3 | 6.9 | 6.6 | 6.2 |
| Central government debt including arrears | 39.4 | 30.6 | 28.2 | 28.5 | 32.5 | 36.3 | 41.7 | ... | 44.8 | ... | 46.7 | 49.0 | 51.3 | 54.0 | 57.0 |
| Public sector debt including AZV | 39.4 | 30.6 | 28.2 | 28.5 | 33.5 | 38.7 | 41.7 | ... | 45.9 | ... | 48.6 | 51.6 | 54.6 | 58.1 | 61.7 |

Sources: Ministry of Finance; CBA; and IMF staff calculations and projections.

1/ Data based on budget information from the authorities adjusted by staff to match standard reporting.
2/ Including arrears to APFA.
3/ Including arrears to suppliers.
4/ The health care fund (AZV) was introduced in 2001.
5/ Stock of domestic payment obligations at end of period as a percent of (estimated) annual GDP.

Table 5. Aruba: Monetary Developments, 1997-2004

(Percent change over same period year earlier)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 1/ |
|---|---|---|---|---|---|---|---|---|
| Net foreign assets | -7.9 | 40.4 | 3.4 | -8.1 | 24.4 | 5.9 | -8.8 | 13.6 |
| Central bank 2/ | -8.3 | 29.0 | 1.3 | -6.4 | 37.8 | 13.3 | -10.6 | 13.7 |
| Commercial banks | -6.0 | 87.7 | 9.7 | -12.5 | -13.3 | -27.3 | 4.3 | 9.7 |
| Net domestic assets | 10.8 | 1.8 | 14.4 | 7.7 | -2.3 | 13.1 | 18.1 | -1.5 |
| Domestic credit | 8.6 | 5.8 | 12.1 | 8.4 | 2.1 | 10.3 | 12.8 | -0.6 |
| Public sector 2/ | 76.6 | 8.2 | 238.2 | -108.9 | -2,236.4 | -141.2 | 31.3 | -226.5 |
| Private sector | 5.5 | 5.7 | 10.3 | 9.5 | 3.7 | 12.4 | 11.3 | 3.9 |
| Enterprises | 2.5 | 0.1 | 5.3 | 9.0 | 1.4 | 13.0 | 10.8 | -1.1 |
| Consumer credit | 15.4 | 6.9 | 16.6 | 6.5 | 2.6 | 11.6 | 6.2 | 8.5 |
| Housing mortgages | 8.3 | 14.3 | 16.5 | 14.3 | 11.1 | 10.4 | 11.9 | 6.4 |
| Other | -37.5 | 61.8 | -6.8 | -2.7 | -28.3 | 55.5 | 89.8 | 48.6 |
| Other items (net) | -0.1 | 23.9 | 3.6 | 11.6 | 19.4 | 1.3 | -6.3 | -0.9 |
| Money supply (M2) | 4.6 | 13.1 | 10.4 | 2.3 | 5.9 | 10.5 | 8.9 | 3.3 |
| Money (M1) | 6.3 | 15.6 | 7.9 | 1.0 | 17.6 | 20.5 | 10.5 | 3.2 |
| Quasi-money | 3.7 | 11.7 | 11.8 | 3.0 | -0.2 | 4.3 | 7.7 | 3.4 |
| | (Contribution to change in broad money, in percent) | | | | | | | |
| Net foreign assets | -2.6 | 11.8 | 1.2 | -2.7 | 7.5 | 2.1 | -3.0 | 3.7 |
| Central bank | -2.2 | 6.8 | 0.3 | -1.6 | 8.5 | 3.9 | -3.2 | 3.4 |
| Commercial banks | -0.4 | 5.0 | 0.9 | -1.2 | -1.1 | -1.8 | 0.2 | 0.3 |
| Net domestic assets | 7.2 | 1.3 | 9.1 | 5.1 | -1.6 | 8.4 | 11.9 | -1.1 |
| Domestic credit | 7.2 | 5.0 | 9.8 | 6.9 | 1.8 | 8.6 | 10.7 | -0.6 |
| Public sector | 2.4 | 0.1 | 1.4 | -0.8 | -1.4 | -2.0 | 1.0 | -4.0 |
| Private sector | 4.7 | 5.0 | 8.4 | 7.7 | 3.2 | 10.6 | 9.8 | 3.5 |
| Enterprises | 1.2 | 0.0 | 2.2 | 3.5 | 0.6 | 5.2 | 0.0 | -0.5 |
| Consumer credit | 2.8 | 1.4 | 3.1 | 1.3 | 0.5 | 2.3 | 1.2 | 1.7 |
| Housing mortgages | 1.5 | 2.8 | 3.2 | 2.9 | 2.5 | 2.5 | 2.9 | 1.6 |
| Other | -0.8 | 0.8 | -0.1 | 0.0 | -0.4 | 0.5 | 1.2 | 0.7 |
| Other items (net) | 0.0 | -3.7 | -0.6 | -1.9 | -3.4 | -0.3 | 1.1 | 0.2 |
| Money supply (M2) | 4.6 | 13.1 | 10.4 | 2.3 | 5.9 | 10.5 | 8.9 | 3.3 |
| Money (M1) | 2.2 | 5.4 | 2.8 | 0.3 | 6.0 | 7.8 | 4.4 | 1.3 |
| Quasi-money | 2.4 | 7.6 | 7.6 | 2.0 | -0.1 | 2.7 | 4.5 | 2.0 |
| Memorandum items: | | | | | | | | |
| Velocity of money | 2.0 | 1.9 | 1.8 | 1.9 | 1.8 | 1.7 | 1.6 | 1.7 |
| Official reserves of the central bank | | | | | | | | |
| (in millions of U.S. dollars) 3/ | 200.3 | 245.1 | 242.8 | 230.9 | 324.4 | 377.8 | 341.6 | 342.5 |
| Inflation differential with the United States | 0.7 | 0.3 | 0.1 | 0.7 | 0.0 | 1.7 | 1.4 | -0.2 |

Source: CBA, *Quarterly and Monthly Bulletins* .

1/ Data for 2004 refer to end September. Rates of growth are relative to the same period in 2003.

2/ Stock series is typically low and contains negative values; percent change calculations based on the convention that a less negative number or a change to a positive number constitute an increase in domestic credit to the public sector.

Table 6a. Aruba: Balance of Payments Summary, 1997-2009

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (In percent of GDP) | | | | | | | |
| Current account | -12.8 | -0.9 | -24.1 | 12.5 | 17.5 | -17.2 | -7.7 | -5.3 | -5.6 | -8.5 | -7.7 | -9.1 | -10.5 |
| Merchandise balance | -25.5 | -21.2 | -35.2 | -3.1 | 2.8 | -27.7 | -16.6 | -18.6 | -18.5 | -21.4 | -20.7 | -22.3 | -23.9 |
| Exports of goods | 112.6 | 70.0 | 82.2 | 135.7 | 127.4 | 77.6 | 101.7 | 118.3 | 129.7 | 115.7 | 105.7 | 97.9 | 90.5 |
| Imports of goods | 138.1 | 91.2 | 116.7 | 138.8 | 124.5 | 105.4 | 118.3 | 136.8 | 148.2 | 137.1 | 126.4 | 120.2 | 114.5 |
| Services | 14.6 | 20.4 | 15.4 | 20.0 | 20.0 | 20.2 | 14.9 | 19.1 | 18.7 | 18.7 | 18.8 | 19.0 | 19.2 |
| Exports of services | 53.5 | 53.6 | 57.9 | 54.4 | 52.4 | 52.1 | 51.4 | 56.2 | 55.8 | 56.1 | 55.9 | 56.0 | 56.1 |
| Imports of services | 38.9 | 33.2 | 41.3 | 34.4 | 32.4 | 31.7 | 35.7 | 36.0 | 36.0 | 36.3 | 36.1 | 36.0 | 36.0 |
| Income and current transfers | -1.8 | 0.0 | -4.3 | -4.3 | -5.3 | -9.7 | -6.1 | -5.8 | -5.8 | -5.8 | -5.8 | -5.8 | -5.8 |
| Financial and capital account | 11.5 | 6.2 | 25.9 | -14.5 | -13.0 | 17.3 | 4.6 | 5.3 | 5.8 | 8.5 | 7.7 | 9.1 | 10.5 |
| *Of which* | | | | | | | | | | | | | |
| Direct investments | 12.9 | 4.9 | 23.2 | -6.7 | -14.5 | 13.9 | 8.1 | ... | ... | ... | ... | ... | ... |
| Portfolio investment | 2.9 | -2.9 | -2.8 | -2.3 | 1.1 | 2.0 | 2.9 | ... | ... | ... | ... | ... | ... |
| Loans to central government | -0.6 | 1.3 | 0.4 | 0.7 | 0.7 | 1.4 | -3.5 | ... | ... | ... | ... | ... | ... |
| Banking sector (net increase in liabilities) | 0.2 | -2.3 | -0.5 | 0.6 | 0.5 | 1.0 | -0.1 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions | 0.0 | 0.1 | -1.2 | 0.6 | -0.7 | 0.9 | 1.5 | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in reserves (-) 1/ | 1.1 | -3.1 | -0.2 | 0.8 | -4.4 | -2.1 | 1.8 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Memorandum items | | | | | | | | | | | | | |
| Non-oil current account | -1.1 | -0.5 | -3.5 | -1.5 | -0.8 | -8.5 | -9.6 | -5.6 | -5.4 | -6.1 | -7.0 | -8.4 | -9.9 |
| Oil sector current account | -11.7 | -0.3 | -20.6 | 14.0 | 18.3 | -8.7 | 1.8 | 0.3 | -0.3 | -2.4 | -0.7 | -0.7 | -0.6 |

Sources: CBA; and IMF staff estimates.

1/ Including gold, excluding revaluation differences.

Table 6b. Aruba: Non-Oil Balance of Payments Summary, 1997-2009

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 /1 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (In percent of GDP) | | | | | | | |
| Current account | -1.1 | -0.5 | -3.5 | -1.5 | -0.8 | -8.5 | -9.6 | -5.6 | -5.4 | -6.1 | -7.0 | -8.4 | -9.9 |
| Merchandise balance | -24.8 | -28.1 | -29.1 | -30.2 | -27.5 | -28.8 | -30.0 | -31.5 | -32.7 | -34.1 | -34.5 | -35.1 | -35.7 |
| Exports of goods | 22.8 | 18.6 | 11.3 | 5.3 | 5.5 | 4.1 | 2.8 | 2.2 | 1.9 | 1.8 | 1.9 | 1.9 | 1.9 |
| Imports of goods | 47.6 | 46.7 | 40.4 | 35.5 | 33.0 | 32.9 | 32.8 | 33.7 | 34.6 | 35.9 | 36.4 | 37.0 | 37.6 |
| Services | 25.3 | 27.4 | 28.8 | 31.6 | 30.9 | 29.2 | 25.6 | 31.7 | 33.2 | 33.8 | 33.4 | 32.5 | 31.6 |
| Exports of services | 53.5 | 53.6 | 53.6 | 54.3 | 52.1 | 51.7 | 50.5 | 56.2 | 55.8 | 56.1 | 55.9 | 56.0 | 56.1 |
| Imports of services | 28.2 | 26.2 | 24.8 | 22.6 | 21.2 | 22.5 | 24.9 | 24.5 | 22.6 | 22.3 | 22.5 | 23.5 | 24.5 |
| Income and current transfers | -1.6 | 0.2 | -3.2 | -2.9 | -4.2 | -8.9 | -5.1 | -5.8 | -5.8 | -5.8 | -5.8 | -5.8 | -5.8 |
| Financial and capital account | -0.3 | 2.6 | 4.3 | -1.6 | 4.0 | 6.4 | 2.4 | 3.4 | 4.4 | 7.0 | 6.6 | 8.0 | 9.4 |
| *Of which* | | | | | | | | | | | | | |
| Direct investments | 1.2 | 1.3 | 5.6 | 6.2 | 2.5 | 3.0 | 6.0 | 3.3 ... | ... | ... | ... | ... | |
| Portfolio investment | 2.9 | -2.8 | -0.9 | 0.0 | 2.1 | 3.9 | 2.5 ... | ... | ... | ... | ... | ... | |
| Loans to central government | 0.0 | 0.0 | -0.4 | -1.5 | -0.4 | -0.4 | -3.2 ... | ... | ... | ... | ... | ... | |
| Banking sector (net increase in liabilities) | -0.1 | 1.2 | 0.9 | 1.8 | 1.9 | 3.1 | 3.9 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Errors and omissions | -0.2 | 0.0 | -0.3 | 0.1 | -0.8 | 0.8 | 1.5 | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in reserves (-) 1/ | 1.6 | -3.3 | -1.5 | 1.3 | -4.4 | -1.8 | 1.8 | 0.0 | 1.0 | -0.9 | 0.3 | 0.4 | 0.5 |

Sources: CBA; and IMF staff estimates.

1/ IMF staff estimates.
2/ Including gold, excluding revaluation differences.

# Table 7. Aruba: Public Sector Debt Sustainability Framework, 1999-2009

(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | | Estimate | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | |
| | | | | | | | | I. Baseline Projections | | | | | Debt-stabilizing primary balance 12/ |
| 1 **Public sector debt 1/** | 28.5 | 33.5 | 38.7 | 41.7 | | | **45.9** | **48.6** | **51.6** | **54.6** | **58.1** | **61.7** | **0.5** |
| *Of which:* foreign-currency denominated | 11.3 | 11.6 | 15.3 | 20.3 | | | 22.4 | 23.4 | 24.5 | 25.6 | 27.0 | 28.5 | |
| 2 Change in public sector debt | 0.2 | 5.1 | 5.1 | 3.0 | | | 4.2 | 2.7 | 3.1 | 3.0 | 3.4 | 3.6 | |
| 3 Identified debt-creating flows (4+7+12) | -0.8 | 3.5 | 3.2 | 4.8 | | | 3.1 | 2.7 | 3.1 | 3.0 | 3.4 | 3.6 | |
| 4 Primary deficit | 0.3 | 3.0 | 2.3 | 2.3 | | | 3.8 | 3.2 | 3.3 | 3.3 | 3.2 | 3.2 | |
| 5 Revenue and grants | 22.3 | 21.5 | 22.0 | 22.3 | | | 22.2 | 21.9 | 21.6 | 21.5 | 21.4 | 21.3 | |
| 6 Primary (noninterest) expenditure | 22.7 | 24.5 | 24.3 | 24.6 | | | 26.0 | 25.1 | 25.0 | 24.8 | 24.6 | 24.5 | |
| 7 Automatic debt dynamics 2/ | -1.2 | 0.4 | 0.9 | -0.7 | | | -0.7 | -0.5 | -0.3 | -0.3 | 0.2 | 0.5 | |
| 8 Contribution from interest rate/growth differential 3/ | -1.2 | 0.4 | 0.9 | -0.7 | | | -0.7 | -0.5 | -0.3 | -0.3 | 0.2 | 0.5 | |
| 9 *Of which:* contribution from real interest rate | -0.2 | 0.2 | 0.0 | -0.1 | | | 0.7 | 0.9 | 0.8 | 1.0 | 1.3 | 1.6 | |
| 10 *Of which:* contribution from real GDP growth | -1.0 | 0.2 | 0.9 | -0.5 | | | -1.4 | -1.4 | -1.1 | -1.3 | -1.1 | -1.2 | |
| 11 Contribution from exchange rate depreciation 4/ | 0.0 | 0.0 | 0.0 | 0.0 | | | ... | ... | ... | ... | ... | ... | |
| 12 Other identified debt-creating flows | 0.0 | 0.0 | 0.0 | 3.2 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 13 Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | -2.7 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 14 Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | 6.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 15 Other (specify, e.g. bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| 16 Residual, including asset changes (2-3) 5/ | 1.0 | 1.6 | 1.9 | -1.8 | | | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Public sector debt-to-revenue ratio 1/ | 127.6 | 155.8 | 176.1 | 186.7 | | | 206.6 | 222.2 | 238.5 | 253.9 | 271.2 | 289.5 | |
| **Gross financing need 6/** | 6.9 | 7.7 | 8.7 | 14.7 | | | 9.0 | 10.5 | 11.2 | 8.9 | 9.3 | 10.0 | |
| In billions of U.S. dollars | 128.0 | 146.9 | 167.2 | 294.9 | | | 192.3 | 237.7 | 266.8 | 223.7 | 247.3 | 279.0 | |
| **Key Macroeconomic and Fiscal Assumptions** | | | | | 10-Year Historical Average 11/ | 10-Year Standard Deviation 11/ | | | | | | | Projected Average |
| Real GDP growth (in percent) | 3.7 | -0.7 | -2.6 | 1.4 | 2.3 | 3.5 | 3.5 | 3.2 | 2.4 | 2.7 | 2.2 | 2.1 | 2.7 |
| Average nominal interest rate on public debt (in percent) 7/ | 3.5 | 3.8 | 3.4 | 3.4 | 3.4 | 0.4 | 4.3 | 4.6 | 4.8 | 5.2 | 5.6 | 6.0 | 5.1 |
| Average real interest rate (nominal rate minus change in GDP deflator, in percent) | -0.6 | 0.9 | 0.0 | -0.4 | 0.4 | 0.8 | 1.8 | 2.1 | 1.8 | 2.2 | 2.6 | 3.0 | 2.3 |
| Nominal appreciation (increase in U.S. dollar value of local currency, in percent) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 4.1 | 2.9 | 3.3 | 3.7 | 3.0 | 0.7 | 2.5 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | 2.8 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 12.9 | 7.6 | -3.7 | 2.8 | 2.1 | 9.4 | 9.2 | -0.2 | 1.9 | 1.9 | 1.5 | 1.5 | 2.6 |
| Primary deficit | 0.3 | 3.0 | 2.3 | 2.3 | 0.8 | 2.0 | 3.8 | 3.2 | 3.3 | 3.3 | 3.2 | 3.2 | 3.3 |
| | | | | | | | | II. Stress Tests for Public Debt Ratio | | | | | Debt-stabilizing primary balance 12/ |
| **A. Alternative Scenarios** | | | | | | | | | | | | | |
| A1. Key variables are at their historical averages in 2005-09 8/ | | | | | | | **45.9** | **45.8** | **45.7** | **45.6** | **45.5** | **45.4** | **-0.9** |
| A2. No policy change (constant primary balance) in 2005-09 | | | | | | | **45.9** | **49.1** | **52.6** | **56.1** | **60.1** | **64.3** | **0.5** |
| A3. Country-specific shock in 2005-06 9/ | | | | | | | **45.9** | **52.5** | **60.5** | **65.8** | **71.0** | **77.3** | **1.6** |
| A4. Selected variables are consistent with market forecast in 2005-09 | | | | | | | **45.9** | **48.3** | **50.5** | **52.9** | **55.4** | **58.0** | **-0.6** |
| A5. All guarantees under litigation become payable in 2005 | | | | | | | **45.9** | **52.2** | **55.2** | **58.2** | **61.6** | **65.3** | **0.5** |
| **B. Bound Tests** | | | | | | | | | | | | | |
| B1. Real interest rate is at historical average plus two standard deviations in 2005 and 2006 | | | | | | | **45.9** | **48.5** | **51.6** | **54.6** | **58.0** | **61.7** | **0.5** |
| B2. Real GDP growth is at historical average minus two standard deviations in 2005 and 2006 | | | | | | | **45.9** | **54.5** | **65.6** | **72.6** | **80.2** | **88.1** | **0.7** |
| B3. Primary balance is at historical average minus two standard deviations in 2005 and 2006 | | | | | | | **45.9** | **50.2** | **54.8** | **57.8** | **61.3** | **64.9** | **0.5** |
| B4. Combination of B1-B3 using one standard deviation shocks | | | | | | | **45.9** | **49.8** | **53.8** | **56.8** | **60.2** | **63.9** | **0.5** |
| B5. One time 30 percent real depreciation in 2005 10/ | | | | | | | **45.9** | **59.2** | **62.2** | **65.2** | **68.7** | **72.4** | **0.6** |
| B6. 10 percent of GDP increase in other debt-creating flows in 2005 | | | | | | | **45.9** | **58.6** | **61.6** | **64.5** | **68.0** | **71.7** | **0.6** |

1/ General government (excluding social security and health care) gross debt.

2/ Derived as $[(r - \pi(1+g) - g + \alpha\varepsilon(1+r)]/(1+g+\pi+g\pi))$ times previous period debt ratio, with r = interest rate; $\pi$ = growth rate of GDP deflator; g = real GDP growth rate; $\alpha$ = share of foreign-currency denominated debt; and $\varepsilon$ = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi (1+g)$ and the real growth contribution as -g.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $\alpha\varepsilon(1+r)$.

5/ For projections, this line includes exchange rate changes.

6/ Defined as public sector deficit, plus amortization of medium- and long-term public sector debt, plus short-term debt at end of previous period.

7/ Derived as nominal interest expenditure divided by previous period debt stock.

8/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.

9/ In 2005 and 2006, the GDP growth drops by one standard deviation and the revenue to GDP ratio drops by one percentage point. Real interest rate is permanently higher by 200 basis points.

10/ Real depreciation is defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

11/ Or average over a shorter period of time, depending on data availability.

12/ Assumes that key variables (real GDP growth, real interest rate, and primary balance) remain at the level in percent of GDP/growth rate of the last projection year.

Table 8. Aruba: Foreign Assets and Liabilities, 1996-2004

(In millions of Aruban florins)

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| **1. Foreign assets of financial sector 1/** | **1,077.9** | **1,179.2** | **1,378.2** | **1,396.1** | **1,497.8** | **1,605.0** | **1,688.4** | **1,805.0** | **1,706.8** |
| a) Central bank and treasury | 385.9 | 362.2 | 443.5 | 440.3 | 422.2 | 580.8 | 676.3 | 611.5 | 681.3 |
| b) Commercial banks | 405.9 | 465.9 | 486.4 | 501.1 | 532.6 | 524.0 | 530.2 | 664.3 | 471.4 |
| c) Nonmonetary financial institutions | 286.1 | 351.1 | 448.3 | 454.7 | 543.1 | 500.2 | 481.8 | 529.3 | 554.1 |
| **2. Foreign liabilities of financial sector 1/** | **404.9** | **560.7** | **531.6** | **478.2** | **547.7** | **595.1** | **664.8** | **789.3** | **600.7** |
| a) Central bank and treasury | 36.7 | 42.1 | 30.5 | 22.1 | 30.8 | 41.2 | 64.9 | 65.1 | 70.9 |
| b) Commercial banks | 321.8 | 388.7 | 341.5 | 342.2 | 391.8 | 403.5 | 442.6 | 572.9 | 401.0 |
| c) Nonmonetary financial institutions | 46.5 | 129.9 | 159.6 | 114.0 | 125.1 | 150.3 | 157.3 | 151.3 | 128.7 |
| **3. External debt 2/** | **1,182.2** | **1,181.3** | **1,159.9** | **1,105.2** | **1,284.7** | **1,259.5** | **1,446.5** | **1,759.2** | **1,852.0** |
| a) Private | 775.3 | 848.1 | 769.4 | 766.0 | 909.1 | 866.4 | 923.5 | 1,028.7 | 995.5 |
| b) Public | 406.9 | 333.2 | 390.5 | 339.2 | 375.6 | 393.1 | 523.0 | 730.5 | 856.4 |
| **4. Net position 2/3/** | **-104.3** | **-2.1** | **218.3** | **290.9** | **213.1** | **345.5** | **241.9** | **45.8** | **-145.2** |
| **In percent of GDP** | **-4.2** | **-0.1** | **7.3** | **9.4** | **6.4** | **10.2** | **7.1** | **1.3** | **-3.8** |

Sources: CBA; and IMF staff estimates.

1/ End of Septermber.

2/ Staff estimates for end of period for 1996-98 and 2004.

3/ Assuming that the foreign assets of the financial sector is a proxy for total foreign assets.

# Table 9. Aruba: External Debt Sustainability Framework, 1999-2009

(In percent of GDP; unless otherwise indicated)

| | Actual | | | | | | | | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | | | 2004 | 2005 | 2006 | 2007 | 2008 | | |
| | | | | | | | | | I. Baseline Projections | | | | | | **Debt-stabilizing noninterest current account 6/** |
| 1 **External debt** | 35.8 | 38.6 | 37.1 | 42.3 | 48.9 | 48.5 | | | **48.2** | **48.0** | **49.5** | **52.5** | **56.9** | | **-1.7** |
| 2 Change in external debt | -3.1 | 2.8 | -1.6 | 5.2 | 6.6 | -0.4 | | | -0.3 | -0.2 | 1.4 | 3.1 | 4.4 | 0.0 | |
| 3 Identified external debt-creating flows (4+8+9) | -2.8 | -8.4 | -3.7 | 6.1 | 0.0 | -0.4 | | | -0.3 | -0.2 | 1.4 | 3.1 | 4.4 | 0.0 | |
| 4 Current account deficit, excluding interest payments | 2.0 | -0.8 | -1.4 | 6.4 | 7.4 | 3.0 | | | 2.7 | 3.3 | 4.0 | 5.2 | 6.2 | 1.7 | |
| 5 Deficit in balance of goods and services | 0.3 | -1.4 | -3.4 | -0.4 | 4.4 | -0.2 | | | -0.5 | 0.3 | 1.1 | 2.6 | 4.1 | | |
| 6 Exports | 64.9 | 59.6 | 57.6 | 55.8 | 53.3 | 58.4 | | | 57.7 | 57.9 | 57.7 | 57.9 | 58.0 | | |
| 7 Imports | 65.2 | 58.2 | 54.2 | 55.4 | 57.7 | 58.2 | | | 57.2 | 58.2 | 58.9 | 60.5 | 62.1 | | |
| 8 Net nondebt creating capital inflows (negative) | -5.3 | -7.6 | -3.9 | -2.4 | -7.7 | -3.4 | | | -3.2 | -4.0 | -3.1 | -3.1 | -3.1 | -3.1 | |
| 9 Automatic debt dynamics 1/ | 0.5 | 0.0 | 1.7 | 2.1 | 0.3 | 0.0 | | | 0.2 | 0.5 | 0.5 | 1.0 | 1.3 | 1.4 | |
| 10 Contribution from nominal interest rate | 1.8 | 2.6 | 2.5 | 2.3 | 2.4 | 2.8 | | | 2.9 | 3.0 | 3.2 | 3.5 | 3.9 | 4.2 | |
| 11 Contribution from real GDP growth | -0.4 | -1.2 | 0.3 | 0.9 | -0.6 | -1.6 | | | -1.5 | -1.1 | -1.2 | -1.0 | -1.1 | -1.2 | |
| 12 Contribution from price and exchange rate changes 2/ | -0.9 | -1.4 | -1.1 | -1.2 | -1.5 | -1.2 | | | -1.2 | -1.4 | -1.4 | -1.4 | -1.5 | -1.7 | |
| 13 Residual, incl. change in gross foreign assets (2-3) | -0.3 | 11.2 | 2.1 | -0.9 | 6.6 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| External debt-to-exports ratio (in percent) | 55.2 | 64.8 | 64.4 | 75.7 | 91.7 | 83.1 | | | 83.5 | 82.9 | 85.7 | 90.8 | 98.2 | | |
| **Gross external financing need (in billions of US dollars) 3/** | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 | 0.4 | | | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | | |
| In percent of GDP | 11.8 | 11.6 | 12.3 | 20.2 | 23.3 | 18.5 | | | 20.4 | 19.3 | 20.1 | 21.6 | 23.0 | | |
| **Foreign Assets of Financial Sector** | 45.3 | 45.0 | 47.2 | 49.3 | 50.2 | 44.7 | | | 46.5 | 45.4 | 44.3 | 43.4 | 42.6 | | |
| **Net External Position** | 9.4 | 6.4 | 10.2 | 7.1 | 1.3 | -3.8 | | | -1.7 | -2.6 | -5.2 | -9.1 | -14.3 | | |
| **Key Macroeconomic Assumptions** | | | | | | | 9-Year Average | 9-Year Deviation | | | | | | Stabilization | Average |
| Real GDP growth (in percent) | 1.1 | 3.7 | -0.7 | -2.6 | 1.4 | 3.5 | 2.5 | 3.3 | 3.2 | 2.4 | 2.7 | 2.2 | 2.1 | 2.1 | 2.5 |
| Exchange rate appreciation (U.S. dollar value of local currency, change in percent) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GDP deflator in U.S. dollars (change in percent) | 2.3 | 4.0 | 2.9 | 3.3 | 3.7 | 2.5 | 3.0 | 0.7 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.9 |
| Nominal external interest rate (in percent) | 4.7 | 8.0 | 6.6 | 6.3 | 5.9 | 6.2 | 5.7 | 1.3 | 6.2 | 6.5 | 7.0 | 7.4 | 7.8 | 7.8 | 7.0 |
| Growth of exports (U.S. dollar terms, in percent) | -7.0 | -0.9 | -1.3 | -2.4 | 0.4 | 16.2 | 3.3 | 7.7 | 4.6 | 5.9 | 5.5 | 5.5 | 5.5 | | 5.4 |
| Growth of imports (U.S. dollar terms, in percent) | -7.6 | -3.7 | -4.8 | 2.9 | 9.6 | 6.9 | 2.6 | 6.5 | 4.1 | 7.3 | 7.0 | 8.1 | 8.0 | | 6.9 |
| Current account balance, excluding interest payments | -2.0 | 0.8 | 1.4 | -6.4 | -7.4 | -3.0 | -1.3 | 3.7 | -2.7 | -3.3 | -4.0 | -5.2 | -6.2 | | -4.3 |
| Net non-debt creating capital inflows | 5.3 | 7.6 | 3.9 | 2.4 | 7.7 | 3.4 | 3.8 | 2.7 | 3.2 | 4.0 | 3.1 | 3.1 | 3.1 | | 3.3 |
| | | | | | | | | | II. Stress Tests for External Debt Ratio | | | | | | **Debt-stabilizing noninterest current account 6/** |
| **A. Alternative Scenarios** | | | | | | | | | | | | | | | |
| A1. Key variables are at their historical averages in 2005-09 4/ | | | | | | | | | **48.8** | **45.1** | **41.2** | **37.2** | **33.1** | | **0.0** |
| A2. Country-specific shock in 2005, with reduction in GDP growth (relative to baseline) of one standard deviation 5/ | | | | | | | | | **48.5** | **53.9** | **57.7** | **59.4** | **60.7** | | **0.1** |
| **B. Bound Tests** | | | | | | | | | | | | | | | |
| B1. Nominal interest rate is at historical average plus two standard deviations in 2005 and 2006 | | | | | | | | | **48.2** | **48.8** | **50.8** | **53.9** | **58.3** | | **1.6** |
| B2. Real GDP growth is at historical average minus two standard deviations in 2005 and 2006 | | | | | | | | | **48.2** | **51.1** | **55.8** | **58.5** | **62.7** | | **2.0** |
| B3. Change in US dollar GDP deflator is at historical average minus two standard deviations in 2005 and 2006 | | | | | | | | | **48.2** | **48.6** | **50.6** | **53.6** | **57.9** | | **1.7** |
| B4. Non-interest current account is at historical average minus two standard deviations in 2005 and 2006 | | | | | | | | | **48.2** | **53.4** | **59.5** | **62.8** | **67.5** | | **1.4** |
| B5. Combination of B1-B4 using one standard deviation shocks | | | | | | | | | **48.2** | **51.6** | **56.0** | **59.3** | **64.2** | | **1.7** |
| B6. One time 30 percent nominal depreciation in 2005 | | | | | | | | | **48.2** | **66.2** | **66.5** | **68.5** | **72.0** | | **2.6** |

1/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as $[-\rho(1+g) + \varepsilon\alpha(1+r)]/(1+g+\rho+g\rho)$ times previous period debt stock. ρ increases with an appreciating domestic currency ($\varepsilon > 0$) and rising inflation (based on GDP deflator).

3/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

4/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

5/ The implied change in other key variables under this scenario is discussed in the text.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and nondebt inflows in percent of GDP) remain at their levels of the last projection year.

Table 10. Aruba: Public Sector Long-Term Debt Sustainability Exercise, 2004-30

| | 2004 | 2009 | 2015 | 2020 | 2025 | 2030 |
|---|---|---|---|---|---|---|
| | (In percent of GDP; unless stated otherwise) | | | | | |
| Public sector debt | 45.9 | 61.7 | 90.9 | 132.3 | 185.8 | 253.4 |
| Interest payments | 1.7 | 3.3 | 5.3 | 7.7 | 10.9 | 15.0 |
| Public sector balance | -5.5 | -6.5 | -9.5 | -13.1 | -17.5 | -22.4 |
| Public sector primary balance | -3.8 | -3.2 | -4.3 | -5.4 | -6.6 | -7.4 |
| of which: balance related to ageing | 0.6 | -0.1 | -1.0 | -1.9 | -2.8 | -3.1 |
| Memorandum items: | | | | | | |
| Population (number of inhabitants) | 95,288 | 97,046 | 99,118 | 98,822 | 97,592 | 95,830 |
| Ratio of active persons per pensioners | 5.8 | 5.0 | 4.0 | 3.4 | 2.9 | 2.7 |
| Real GDP growth (in percent) | 3.5 | 2.1 | 0.8 | 0.1 | 0.3 | 0.2 |
| Inflation (in percent) | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |

Sources: Social Insurance Bank of Aruba; CBA; and IMF staff estimates.

Table 11. Aruba: Indicators of External and Financial Vulnerability, 1998-2003

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|
| **External indicators** | | | | | | |
| Exports goods and services (annual percent change, in U.S. dollars) | 1.1 | -0.8 | -7.5 | -6.0 | -10.3 | -8.2 |
| Imports goods and services (annual percent change, in U.S. dollars) | 1.6 | 0.0 | -17.1 | -6.3 | -2.5 | -2.0 |
| Current account balance (percent of GDP) | -0.9 | -24.1 | 12.5 | 17.5 | -17.2 | -7.7 |
| Capital and financial account balance (percent of GDP) | 6.2 | 25.9 | -14.5 | -13.0 | 17.3 | 4.6 |
| Inward portfolio investment (percent of GDP) | -2.9 | -2.8 | -2.3 | 1.1 | 2.0 | 2.9 |
| Inward foreign direct investment (percent of GDP) | 4.9 | 23.2 | -6.7 | -14.5 | 13.9 | 8.1 |
| Official reserves (in Afl, millions) | 438.7 | 434.6 | 413.3 | 580.7 | 676.3 | 611.5 |
| Official reserves (in U.S. dollars, millions) | 245.1 | 242.8 | 230.9 | 324.4 | 377.8 | 341.6 |
| Broad money to net foreign assets (ratio) | 2.8 | 2.9 | 3.3 | 2.8 | 2.9 | 3.5 |
| Central bank foreign liabilities (in U.S. dollars, millions) | 0.9 | 0.1 | 1.3 | 1.5 | 4.7 | 1.5 |
| Foreign assets of the banking sector (in U.S. dollars, millions) 1/ | 496.6 | 503.0 | 509.5 | 586.4 | 635.9 | 649.6 |
| Foreign liabilities of the banking sector (in U.S. dollars, millions) | 191.7 | 191.2 | 220.2 | 226.9 | 252.0 | 302.4 |
| Official reserves in months of imports 2/ | 3.8 | 4.1 | 4.2 | 6.2 | 6.7 | 6.2 |
| Total external debt (in Afl, millions) | ... | 1,105.3 | 1,256.9 | 1,288.3 | 1,439.2 | ... |
| Total external debt (in percent of GDP) | ... | 35.9 | 37.8 | 37.9 | 42.1 | ... |
| Total external debt to exports (ratio in percent) 2/ | ... | 25.6 | 19.3 | 20.5 | 25.6 | ... |
| Exchange rate (per U.S. dollar, period average) | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| **Financial Market Indicators** | | | | | | |
| Public sector debt (percent of GDP) | 30.6 | 28.2 | 28.5 | 32.5 | 36.3 | 41.7 |
| Public commercial external debt (percent of GDP) | 3.1 | 4.0 | 4.8 | 6.0 | 9.1 | 13.9 |
| **Financial Sector Risk Indicators** | | | | | | |
| Mortgage credit to total assets (in percent) | 14.8 | 15.6 | 16.0 | 15.9 | 15.7 | 15.4 |
| Capital Adequacy | | | | | | |
| Risk-weighted capital ratio=regulatory capital ratio | 9.1 | 7.9 | 8.2 | 10.5 | 9.4 | 10.0 |
| Tier 1 capital ratio | 6.4 | 5.1 | 3.8 | 4.0 | 5.5 | 4.2 |
| Asset Quality | | | | | | |
| Nonperforming loans (net of provisions) to gross loans | 2.9 | 2.2 | 2.6 | 3.4 | 2.7 | 3.0 |
| Nonperforming loans (net of provisions) to regulatory capital | 32.8 | 28.4 | 33.7 | 34.0 | 30.3 | 32.7 |
| Large loans to regulatory capital | 170.0 | 258.9 | 276.3 | 154.3 | 195.1 | 166.3 |
| Earnings and profitability | | | | | | |
| Return on assets (before taxes) | 0.7 | 0.9 | 1.9 | 2.0 | 1.7 | 2.5 |
| Return on assets (after taxes) | -0.1 | 0.2 | 1.2 | 1.6 | 1.1 | 2.0 |
| Return on equity (before taxes) | 16.0 | 23.6 | 49.9 | 42.6 | 33.6 | 40.0 |
| Return on equity (after taxes) | -2.0 | 5.3 | 30.1 | 32.9 | 22.0 | 31.9 |
| Interest margin to gross income | 71.3 | 68.8 | 65.9 | 65.7 | 62.8 | 61.9 |
| Noninterest expenses to gross income | 101.3 | 97.1 | 85.1 | 78.7 | 83.6 | 75.2 |
| Liquidity | | | | | | |
| Loan-to-deposit ratio | 69.8 | 70.5 | 75.6 | 73.1 | 71.7 | 70.6 |
| Prudential liquidity ratio | 29.6 | 29.7 | 24.5 | 27.5 | 28.2 | 29.9 |
| Liquidity assets to short-term liabilities | 94.8 | 99.1 | 78.5 | 85.4 | 77.6 | 84.0 |
| Sensitivity to market risk | | | | | | |
| Interest rate margin | 6.9 | 6.8 | 5.8 | 6.2 | 7.3 | 6.1 |
| Net foreign assets to regulatory capital | 121.5 | 138.4 | 111.0 | 71.3 | 105.1 | 92.0 |

Sources: Data provided by the authorities, and IMF, *International Financial Statistics* .

1/ Excluding gold, including revaluation differences.
2/ Imports and exports are from the balance of payments.

## KINGDOM OF THE NETHERLANDS—ARUBA: FUND RELATIONS

As of January 31, 2005

I. **Membership Status**: The Kingdom of the Netherlands is an original member of the Fund. On February 15, 1961, the Kingdom accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement for all territories.

| II. **General Resources Account:** | SDR million | %Quota |
|---|---|---|
| Quota | 5,162.4 | 100.0 |
| Fund holdings of currency | 3,505.2 | 67.9 |
| Reserve position in Fund | 1,657.2 | 32.1 |

| III. **SDR Department:** | SDR million | %Allocation |
|---|---|---|
| Net cumulative allocation | 530.3 | 100.0 |
| Holdings | 500.8 | 94.4 |

IV. **Outstanding Purchases and Loans**: None

V. **Financial Arrangements:** None

VI. **Projected Payments to Fund:**
**(SDR Million; based on existing use of resources and present holdings of SDRs):**

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Principal | | | | | |
| Charges/Interest | 0.34 | 0.44 | 0.44 | 0.44 | 0.44 |
| Total | 0.34 | 0.44 | 0.44 | 0.44 | 0.44 |

VII. **Exchange Arrangements:**

The Aruban florin has been pegged to the U.S. dollar at Af. 1.79 per US$1 since January 1, 1986. In compliance with relevant UN resolutions, Aruba maintains exchange restrictions on financial transactions with respect to individuals and entities associated with the former government of Iraq and the previous government of the former Republic of Yugoslavia.

There is a foreign exchange restriction arising from the foreign exchange tax on payments by residents to nonresidents. This tax, which amounts to 1.3 percent of the transaction value, was introduced when Aruba was part of the Netherlands Antilles to generate revenue for the government. Aruba adopted it after gaining autonomy (*status aparte*) in 1986. Since then, it has served as a source of general tax revenue for the central government of Aruba.

## VIII. **Article IV Consultation:**

The Board concluded the last Article IV consultation discussions for Aruba on February, 24, 2003 on the basis of the staff report (IMF Country report 03/42) and the statistical appendix (IMF Country report 03/43). Consultations are conducted on a bi-annual cycle.

## IX. **OFC Assessment:**

The Offshore Financial Sector Assessment was published in June 2002.

## X. **Technical Assistance:**

Aruba participated in the Coordinated Portfolio Investment Survey (CPIS) in 2000–01 with the assistance of the Statistics Department. To assist the authorities in a self-assessment of the financial standards of its offshore center activities, a special mission from the Monetary and Exchange Affairs Department visited Aruba in late 2000 and early 2001.

## KINGDOM OF THE NETHERLANDS—ARUBA: STATISTICAL ISSUES

### 1. Real sector

Aruba produces CPI data, and the Central Bureau of Statistics (CBS) recently published national accounts for 1995 through 2002, as well as preliminary estimates for 2003. More detailed sector accounts have been made available for the years 1995–2000. There are plans for the compilation of input-output tables and for a detailed tourism satellite account. The CBS is interested in developing deflators and trade price data, also in order to be able to compile national accounts at constant prices. A joint Caribbean labor market survey should improve the availability of labor market data this year.

### 2. Fiscal sector

Aruba does not report government finance statistics to STA, either for publication in the *GSF Yearbook* or in the *IFS*.

### 3. Monetary sector

The Central Bank of Aruba (CBA) reports monetary data to STA on a timely basis, and it is anticipated that Aruba's planned shift to the standard reporting format for monetary statistics will provide a new opportunity to review their methods in compiling the statistics.

### 4. External sector

The CBA reports quarterly balance-of-payments data. However, it would be useful to publish a more detailed breakdown of exports and imports, for example by economic use (consumer goods, fuels, raw materials, and capital goods) or by commodities. Also, it would be desirable to narrow—to the extent possible—the differences between trade data from the CBA and those in the national accounts.

Aruba publishes monthly data on the official reserve position, with a lag of one month, providing a breakdown in holdings of gold and foreign currency. As prescribed by the SDDS, data on foreign liabilities of the monetary sector—including a breakdown by maturity (long and short term) and instrument—and the central government are published on a quarterly basis, with a lag of about one quarter. Data provision on foreign debt of the nonfinancial private sector, however, is on an annual basis only. A debt survey covering both the public and private sector debt provides information on the amount, average maturity, and currency denomination of foreign debt outstanding. There is no disaggregation by instrument or information on amortization payments coming due.

## TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

| | Date of Latest Observation | Date Received | Frequency of Data | Frequency of Reporting | Frequency of Publication |
|---|---|---|---|---|---|
| Exchange Rates | 02/05 | 03/11/05 | Monthly | Monthly | Not available |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | 10/04 | 11/5/04 | Weekly | Weekly | Monthly |
| Reserve/Base Money | 01/05 | 03/11/05 | Monthly | Monthly | Monthly |
| Broad Money | 01/05 | 03/11/05 | Monthly | Monthly | Monthly |
| Central Bank Balance Sheet | 01/05 | 03/11/05 | Monthly | Monthly | Monthly |
| Interest Rates[2] | 02/05 | 03/11/05 | Monthly | Monthly | Monthly |
| Consumer Price Index | 01/05 | 02/05 | Monthly | Monthly | Monthly |
| External Current Account Balance | Q4/03 | 08/30/04 | Quarterly | Quarterly | Quarterly |
| Exports and Imports of Goods and Services | 9/04 | 11/04 | Quarterly | Quarterly | Quarterly |
| GDP/GNP | 2002 | 11/04 | Irregular | Irregular | Irregular |
| Gross External Debt[3] | Q3/02 | 12/2/02 | Quarterly | Quarterly | Quarterly |

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.
[3] Including currency and maturity composition.

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# IMF Concludes 2005 Article IV Consultation with the Kingdom of the Netherlands—Aruba

On May 25, 2005, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the Kingdom of the Netherlands—Aruba.[1]

**Background**

After a two-year long recession, GDP growth reached 1.4 percent in 2003, helped by strong private investment, and accelerated to an estimated 3½ percent in 2004. Growth is projected to level off at about 3¼ percent in 2005, as hotel capacity constraints slow tourism growth. Planned investments in the oil refinery and the hotels are expected to keep growth at about 2½ percent in the medium term.

Strong domestic demand, fueled by double-digit private credit growth and fiscal expansion, and a sharp increase in the oil price in 2002, had reignited inflation, which peaked at about 4.3 percent in mid-2003. To stem inflationary pressures, credit ceilings were reintroduced in 2003 and subsequently tightened in 2004. Average inflation fell to 2½ percent in 2004. The real effective exchange rate of the Aruban florin, which has been pegged to the U.S. dollar since 1986, has remained largely unchanged since 1998. Declining net tourism revenue and robust import demand widened the (rolling 12-month) non-oil current account deficit to almost 12 percent

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

of GDP by mid-2003, but the deficit has narrowed subsequently with the strengthening of tourism revenue. The debt-creating external deficit (non-oil current account deficit plus FDI), however, has remained significantly lower and improved faster than the headline deficit. Reflecting these trends and government payment obligations, international reserves have declined since 2002, to about 5¼ months of imports in September 2004.

The fiscal deficit, which widened sharply during the recession, continued to deteriorate, from 3½ percent of GDP (including health care) in 2003 to an estimated 5½ percent in 2004. The health care fund has experienced large spending overruns since the introduction of universal health care in 2001. Moreover, despite a nominal freeze, total wage costs increased by a cumulative 12 percent in 2001–03, reflecting a rapid increase in public sector employment. Large deficits and called guarantees increased public debt sharply, from 28½ percent of GDP in 2000 to some 46 percent in 2004.

**Executive Board Assessment**

Executive Directors commended the authorities for Aruba's strong record of sustained high growth and macroeconomic stability since gaining autonomy in 1986. These achievements have been underpinned by strong public institutions and prudent macroeconomic policies. Looking ahead, Directors encouraged the authorities to build on their successes and pursue further wide-ranging policy and institutional reforms to secure Aruba's long-term prosperity. The key tasks are to consolidate public finances, to pursue a strategy to enhance the economy's long-term growth potential and diversification and address the problem of rapid population aging, and to improve further the quality of public institutions. Directors welcomed the authorities' commitment to pursue the policies and reforms required to achieve these objectives.

Directors urged the authorities to take advantage of the favorable cyclical position in order to rein in the widening fiscal deficit, and make strong efforts to meet the original 2005 budget deficit target. They viewed fiscal consolidation as essential to narrow further the non-oil current account deficit and reduce the burden on monetary policy.

Looking forward, Directors stressed the need for ambitious fiscal adjustment over the medium term to lower public debt to a safer level. In this context, they encouraged the authorities to introduce a fiscal responsibility law and a medium-term fiscal framework, which should facilitate the required fiscal consolidation and enhance policy credibility. They considered that a key medium-term objective should be to eliminate the budget deficit and reduce the public debt by the end of the decade. This will require wide-ranging expenditure reforms, including with respect to health care, civil service, and pension reforms. In this context, they welcomed the recent measures to reduce health care costs and the reform of the public sector pension scheme for new participants. Directors welcomed the progress made in eliminating expenditure arrears, and encouraged the authorities to continue strengthening budget management to prevent their recurrence. Directors highlighted the need for further tax reforms to broaden the tax base, narrow the tax wedge on labor, and simplify taxes. In particular, the introduction of a broad-based consumption tax and a simplification of the income tax were regarded as important. In the area of tax policy, Directors commended the authorities' decision to phase out tax holidays and guarantees.

Directors encouraged the authorities to take early action to sustain growth in the face of rapid population aging. In addition to fiscal consolidation and pension reforms, they recommended measures to maintain high labor utilization and create the conditions for faster productivity growth, including by improving education and public infrastructure. Directors also called for faster progress in restructuring public enterprises to open up markets for private sector activity. Underscoring the importance of economic diversification to enhance the country's growth potential, they welcomed Aruba's request for a World Bank Foreign Investment Advisory Service report on Aruba's development strategy.

Directors commended the authorities for successfully taming the inflationary pressures that had emerged at the beginning of the recent recovery. Noting that the inflation outlook is favorable and the underlying current account deficit of the non-oil sector has been narrowing, Directors saw no immediate need for further monetary tightening. Given the uncertainties, however, they called on the central bank to continue to monitor price and non-oil current account developments closely, and to stand ready to tighten the monetary policy stance if necessary. Directors noted that credit controls have been effective in dampening inflationary pressures. They encouraged the authorities to strengthen efforts to develop indirect monetary policy instruments over the medium term.

Directors noted that the peg to the U.S. dollar remains appropriate, and that Aruba has broadly maintained its competitiveness. Given the economy's dependence on highly volatile tourism revenue and the rapid increase in public sector external debt, Directors saw a case for rebuilding reserves to end-2002 levels.

Directors noted that the financial sector is generally sound and well supervised. Overcoming the capacity constraints that have slowed drafting and vetting of supervisory and anti-money laundering legislation should be given priority. Directors also considered it particularly urgent to proceed with extending central bank supervision to company service providers and insurance intermediaries.

Directors noted that long existing practices in Aruba provide the central bank with a high degree of operational independence. Nonetheless, they considered strengthening the legal guarantees for central bank independence as an important way to enhance policy credibility further. In this context, they welcomed the authorities' intention to move toward modernization of the central bank law and encouraged the authorities to seek IMF technical assistance with drafting the new law. Directors called on the authorities to eliminate the remaining exchange restriction subject to Fund approval under Article VIII as soon as possible.

Directors urged the authorities to renew their efforts to strengthen statistics. They judged that improvements are particularly needed in national accounts, government finance, and labor market statistics, as well as social indicators.

***Public Information Notices (PINs)*** form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

## Aruba: Selected Economic Indicators

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|
| | | | (Percent change) | | | |
| Real economy | | | | | | |
| Real GDP | 1.1 | 3.7 | -0.7 | -2.6 | 1.4 | 3.5 |
| Nominal GDP | 3.4 | 7.8 | 2.1 | 0.7 | 5.1 | 6.0 |
| Real final consumption | 3.3 | 1.1 | 2.1 | 3.8 | 1.8 | 3.6 |
| Real investment | -1.5 | -17.4 | -9.3 | 1.3 | 19.0 | 11.9 |
| Real exports | 1.5 | -3.5 | -3.1 | -7.0 | -4.5 | 2.1 |
| Real imports | 2.3 | -13.0 | -3.4 | 0.8 | 1.7 | 5.5 |
| Inflation (period average) | | | | | | |
| CPI | 2.3 | 4.1 | 2.9 | 3.3 | 3.7 | 2.5 |
| Real exchange rate index (2000=100) 1/ | 98.5 | 100.0 | 100.8 | 107.1 | 103.8 | ... |
| | | | (In millions of U.S. dollars) | | | |
| Balance of payments | | | | | | |
| Current account | -414.5 | 232.4 | 332.2 | -329.4 | -155.4 | -113.6 |
| (In percent of GDP) | -24.1 | 12.5 | 17.5 | -17.2 | -7.7 | -5.3 |
| Non-oil current account | -60.2 | -28.1 | -14.7 | -162.5 | -192.1 | -120.1 |
| (In percent of GDP) | -3.5 | -1.5 | -0.8 | -8.5 | -9.6 | -5.6 |
| Financial and capital account | 445.3 | -269.8 | -246.7 | 330.3 | 92.2 | 113.8 |
| Errors and omissions | -20.0 | 11.3 | -13.1 | 17.3 | 29.3 | -11.0 |
| Changes in reserves (-=increase) 2/ | -2.9 | 15.0 | -82.8 | -40.1 | 36.3 | -0.9 |
| | | | (Percent change) | | | |
| Monetary aggregates | | | | | | |
| Net foreign assets | 3.4 | -8.1 | 24.4 | 5.9 | -8.8 | 13.6 |
| Net domestic assets | 14.4 | 7.7 | -2.3 | 13.1 | 18.1 | -1.5 |
| Quasi-money | 11.8 | 3.0 | -0.2 | 4.3 | 7.7 | 3.4 |
| | | | (In percent of GDP) | | | |
| Public finances central government | | | | | | |
| Balance 3/ | 0.9 | -1.3 | -4.1 | -3.4 | -3.5 | -5.5 |
| External public debt | 11.9 | 11.3 | 11.6 | 15.3 | 20.3 | 22.4 |
| Domestic public debt | 16.3 | 17.2 | 20.9 | 21.0 | 21.4 | 22.4 |
| U.S. dollar | The Aruban florin is pegged to the U.S. dollar at Af. 1.79 =US$1 | | | | | |
| SDR (end of period) | 2.46 | 2.33 | 2.25 | 2.43 | 2.66 | 2.78 |

Sources: Data provided by the Aruban authorities; and IMF Staff estimates.

1/ Based on market shares in tourism.
2/ Including gold, excluding revaluation differences.
3/ Including the health care fund (AZV).