



Economic Outlook

2021 – 2023

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Summary

The effects of the worldwide COVID-19 pandemic in 2020 have been and still is of an unprecedent impact on the economy of Aruba. In 2020, tourism, investments and private consumption were highly affected resulting in an unprecedented decrease in the economy. Although the economic growth will still be under the 2019 growth 2021, 2022 and 2023 are giving positive trends in the projection.

Compared to 2019, the estimation for the year 2020 shows a contraction of 25.2 percent of the Nominal GDP. The Nominal GDP in 2020 (Afl. 4577m) will be approximately at 75 percent of the level of 2019 (Afl. 6118m).

The Nominal GDP decrease in 2020 compared to 2019 is induced by a sharp decline in all macro-economic indicators: Export of Goods and Services (44.1 percent), Private Investment (32.0 percent), Private Consumption (17.4 percent), resulting in a decline in Import of Goods and Services (31.7 percent).

For 2021 and 2022 the estimated Nominal GDP will have an increase of 5.1 percent compared to 2020 and a projected growth of 6.2 percent compared to 2021.

In this baseline scenario it is expected that the Nominal GDP for 2021 (Afl. 4,810m) will be at 78.6 percent of the level of 2019 (Afl. 6,118m), while the Nominal GDP in 2022 (Afl. 5107m) will be at 83.5 percent of the level of 2019.

The main driver of the expected growth in 2021 compared to 2020 is an increase in Export of Goods and Services of 36.1 percent, due to more tourism revenue compared to 2020. The results for Tourism Export shows an increase of 46.6 percent compared to 2020. It is important to mention that ATA's adjusted "Cautiously Optimistic" scenario for 2021 is taken as baseline scenario, with an expected amount of Average Daily Rate (ADR) and an expenditure (per night) in non-accommodation between 2019 and 2020 level.

For 2022, the main driver in the expected growth compared to 2021 is the increase in Export of Goods and Services of 15.8 percent due to further growth in tourism revenue compared to 2021, and an increase of private investment by 47.5 percent, which contributes to the expected Nominal GDP growth of 6.2 percent in 2022. In addition, an increase of Private Consumption is expected by 4.4 percent. As a result, Import of Goods and Services is expected to increase by 19.8 percent in 2022 compared to 2021.

For the optimistic scenario of 2021 compared the projections for the year 2021 and 2022 a growth of the Nominal Gross Domestic Product (GDP) for both years is estimated. The estimated Nominal GDP will have an increase of 10.9 percent in 2021 compared to 2020 and a projected growth of 5.9 percent in 2022 compared to 2021.

In this optimistic scenario it is expected that the Nominal GDP for 2021 (Afl. 5077m) will be at 83.0 percent of the level of 2019 (Afl. 6,118m), while the Nominal GDP in 2022 (Afl. 5379m) will be at 87.9 percent of the level of 2019.

Overall, the optimistic scenario shows a higher percentage growth in the main economic indicators as a result of a higher recovery in tourism. DEACI recommends using the cautiously optimistic scenario as the base scenario for 2021-2022.

DEACI is prudent with the projection for 2023 due to the increasing uncertainties in time. Therefore, these estimations have to be considered preliminary and used with care. For the year 2023, the projections show a growth of 10.8 percent of the Nominal Gross Domestic Product (GDP).

The main driver of the expected growth in 2023 compared to 2022 are an increase in Export of Goods and Services of 21.0 percent in nominal terms and Private Investment that will have a growth of 10.7 percent in nominal terms. At the same time, a growth in Private Consumption of 1.8 percent is expected in nominal terms.

I. Introduction

DEACI structurally monitors the economy and advises the Minister of Finance, Economic Affairs and Culture on current and future economic developments. The MARUBA model is based on the National Accounts and reflects the functioning of the Aruban economy, and is used to forecast the economic developments.

After two Technical Assistance missions by the Caribbean Regional Technical Assistance Centre (CARTAC/IMF), during the months April and October 2020, where the MARUBA model has been extensively reviewed, an additional Technical Assistance mission was held by CARTAC/IMF in March and April 2021. The objective of this mission was to analyze and review the medium-term projections of the MARUBA model before proceeding to publish these projections. During this mission, proposed recommendations for improvement of the medium-term projection of the model were again implemented.

The effects of the worldwide COVID-19 pandemic in 2020 have been and still is of an unprecedent impact on the economy of Aruba. Especially being a small island state, which is highly dependent on tourism.

The economy of Aruba has been severely affected by the outbreak of COVID-19 and the subsequent lockdown in March 2020. To keep the economy performing, the government of Aruba has put in place a range of financial assistances for businesses and employees in the private sector that were most affected by the crisis with the financial assistance of the Netherlands, since 2020. The government also approved the tax crisis plan 1 and 2 to assist businesses in Aruba. The reopening of the borders in June 2020, in combination with tourists slowly returning to the island was still not sufficient for a solid economic recovery in 2020.

Since March 2020, DEACI has been producing several scenarios with the Macro-Economic Model (MARUBA) to forecast economic developments that emerged from the pandemic in order to assist the Department of Finance in establishing the support to the Small and Medium enterprises and wage subsidies. In December 2020, DEACI presented the outlook for 2020 and 2021 based on data up to October 2020.

After revising the projections based on new developments and data, DEACI presents in May 2021 the revised outlook 2020 and 2021, including projections for the medium term (2022-2023). It is important to mention that the estimate for 2019 has also been revised due to the revision of the National Accounts of Aruba published in February 2021 for the period 2000-2018 by the Central Bureau of Statistics.

In this revised analysis, the tourism sector is recuperating at a faster pace than anticipated in the previous outlook. Private Investment remains limited for 2020-2021, but from 2022, an increase in Private Investment is expected as delayed projects in 2020 and 2021 are planned to reactivate in 2022. The government financing support (wage subsidies, FASE and SME's financial support) to the private sector has been budgeted for the complete year of 2021 and has been included up to December 2021 in this outlook. By 2022, we assume that this financial support will be eliminated as the economy will start to recuperate at a faster pace.

In the following chapters, the estimated Nominal Gross Domestic Product (GDP) for 2020 will be discussed followed by the projections for the Nominal GDP scenarios for 2021-2023. Two scenarios

for 2021-2022 are being presented. A cautiously optimistic (baseline) and an optimistic scenario, which will be extensively discussed. Subsequently the projection for 2023 will be presented, in which the nominal GDP and the main drivers will be discussed.

The baseline in this outlook is a “cautiously optimistic” scenario, which is derived from the adjusted “cautiously optimistic” scenario from ATA received March 2021, combined with recent data on stayover visitor until April 2021.

The “optimistic scenario” on stayover visitors is based on DEACI’s own calculations taking into account the most recent tourism developments and the best- tourism related scenario with the assistance provided by CARTAC during the midterm projection mission in March and April 2021, assuming Aruba will reach the level of 2019 stay over visitors in the fourth quarter of 2022. In addition, the projections in both scenarios include tourism receipts official data from the first quarter of 2021.

Finally, a brief overview is provided of the international market, presenting information on global forecasts, inflation in the Caribbean, Netherlands and the United States, and the oil prices (current and forecasted).

II. Economic Outlook 2020

The estimations for 2020 are based on the analysis of the available data and stakeholder's information as per April 2021. In 2020, tourism, investments and private consumption were highly affected resulting in an unprecedented decrease in the economy.

Compared to 2019, the estimation for the year 2020 shows a contraction of 25.2 percent of the Nominal GDP as shown in Table 1. When compared to the forecast in December 2020, this signifies a Nominal GDP change of +7.5 percentage points (from -32.7% to -25.2%).

This difference is impacted by a more positive recovery than expected in the tourism sector in the last quarter of 2020 resulting in a 12.8 percent higher (from -62% to -49.2%) Nominal Export Tourism change in 2020 compared to the forecast in December 2020. In addition, also for Private Investment a change of +4.9 percentage points is estimated (from -36.9% to -32%), when compared to the forecast dated December 2020. This is due to the revision of most recent investment data for 2020. According to the IMF, the GDP in real terms dropped by a 25.5 percent in 2020.

The Nominal GDP in 2020 (Afl. 4577m) will be approximately at 75 percent of the level of 2019 (Afl. 6118m). This is an increase of approx. +8 percentage points (from approx. 67 % to 75%), compared to the forecast dated December 2020.

The Nominal GDP decrease in 2020 compared to 2019 is still induced as mentioned in December 2020 forecast by a sharp decline in all macro-economic indicators: Export of Goods and Services (44.1 percent), Private Investment (32.0 percent), Private Consumption (17.4 percent), resulting in a decline in Import of Goods and Services (31.7)

percent). Take note that difference between the estimation of Private Consumption compared to the estimation made in December 2020 (from -8.5% to -17.4%) is primarily attributed to a revision made in the National Accounts from 2000 -2018 dated February 2021 on this specific component by the Central Bureau of Statistics.

With regard to Private Consumption, the greatest influence comes from vulnerable companies whose revenue was greatly affected by the COVID-19 pandemic, which in turn has its influence on the purchasing power from the employees of these companies. In addition, since April 2020, the government has been providing support to this group of employees through wage subsidies, FASE and specific financial support to Small and Medium-sized Enterprises (SMEs).

From information and data received for Private Investment, from key stakeholders, there is still a delay in significant tourism and infrastructural projects. Additionally, due to the COVID-19 pandemic Shelter in Place measure, a two-month recess in the construction sector, which took place in the month April and May in 2020, contributed to this delay.

Export of Goods and Services is estimated to decline by 44.1 percent in 2020. Again, compared to the December 2020 forecast this is a change of + 7 percentage points (from -51.1% to -44.1%). This positive difference is due to a more positive recovery in tourism than expected, with a change of +12.8 percentage points for Export Tourism (from -62.0 % to -49.2%).

Furthermore, for the Import of Goods and Services in 2020 an estimated nominal decrease of 31.7 percent is expected compared to 2019. These changes are explained by the decrease of Private

Consumption, Tourism-related Exports, and the decrease in Private Investment, each individually influencing the Import of Goods.

CPI's period average recorded a deflation of 1.3 percent in 2020, which was impacted by the decrease in prices for different sectors among which, the recreation and culture sector, housing sector and miscellaneous good and services sector. Additionally, utilities, gasoline and diesel showed also decrease in price in 2020. Finally, graph 1 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the past 7 years. Note that the Nominal GDP for the years 2019, 2020 going forward are based on DEACI's projection.

III. Economic Outlook 2021- 2022

After revising the projection for 2021 and reviewing the projections on medium term based on new developments and data, DEACI is proud to present the Economic Outlook 2021-2023.

Although we see a positive unexpected recovery in the tourism sector in the last months of 2020, the impact of the COVID-19 pandemic will persist in the coming years. Therefore, we are assuming that the economy will achieve the pre- COVID-19 pandemic level of 2019, in 2023. According to UNWTO one of the most optimistic scenario is that in mid- 2023, the international tourism could return to 2019 levels (UNWTO: Scenarios 2021-2024). Until now realized data shows that in the last two quarters of 2020, the tourism credits (tourism revenue) was unexpectedly higher than the years before and that this trend has continued in the first quarter of 2021. It is still unknown if this trend will continue for the next quarters of 2021 and in the following years. In addition, an improved trend is observed in air seat capacity for AUA (A.A.A., May 2021). This means that we can assume that for 2021 there is demand and interest in traveling to Aruba.

In the following sections, the projected Nominal GDP for 2021 and 2022 basic scenario are presented along with the optimistic scenario, which includes the macro-economic components for 2021 and 2022. The projected Nominal GDP basic scenario for 2023 is presented separately.

For the year 2023 (we choose to elaborate in less detail on this year's projections due to the unpredictable medium-term factors related to the COVID-19 pandemic). For the year 2023, only the Nominal GDP and the main drivers are presented. Finally see VII Annex for the assumptions related to the estimated scenarios 2021-2023.

Gross Domestic Product (GDP) 2021- 2022- Baseline scenario

Compared to 2020, the projections for the year 2021 and 2022 show a growth of the Nominal Gross Domestic Product (GDP) for both years. As shown in Table 1, the estimated Nominal GDP will have an increase of 5.1 percent in 2021 compared to 2020 and a projected growth of 6.2 percent in 2022 compared to 2021.

In this baseline scenario it is expected that the Nominal GDP for 2021 (Afl. 4,810m) will be at 78.6 percent of the level of 2019 (Afl. 6,118m), while the Nominal GDP in 2022 (Afl. 5107m) will be at 83.5 percent of the level of 2019.

Graph 1 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the course of 9 years. Note that the Nominal GDP for the years 2019 until 2022, are based on DEACI's projection.

Graph 1: Percentage growth of Nominal GDP for the years 2014 until 2022- Baseline.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021 for the years 2018 – 2022.
National Accounts, CBS February 22, 2021.

Results Macro-Economic Indicators 2021 -2022-Baseline scenario

The main driver of the expected growth in 2021 compared to 2020 is an increase in Export of Goods and Services of 36.1 percent, due to more tourism revenue compared to 2020 (see Table 1). The results for Tourism Export shows an increase of 46.6 percent compared to 2020. It is important to mention that ATA's adjusted "Cautiously Optimistic" scenario for 2021 is taken as baseline scenario, with an expected amount of Average Daily Rate (ADR) and an expenditure (per night) in non-accommodation between 2019 and 2020 level. For the expenditure (per night) in non-accommodation the latest development recorded in the first quarter of 2021, regarding tourism expenditure is taken into account.

For 2022, the main driver in the expected growth compared to 2021 is the increase in Export of Goods and Services of 15.8 percent due to further growth in tourism revenue compared to 2021, and an increase of Private Investment by 47.5 percent, which contributes to the expected Nominal GDP growth of 6.2 percent in 2022 (see Table 1). In addition, an increase of Private Consumption is expected by 4.4 percent. As a result, Import of Goods and Services is expected to increase by 19.8 percent in 2022 compared to 2021.

Table 1: Percentage growth of Nominal GDP and its main indicators for the years 2019 – 2022.

	2019	2020	2021	2022
Nominal	Estimate	Estimate	Baseline	Baseline
Inflation (%)	3.9*	-1.3*	1.7	1.6
Gross Domestic Product (in Afl. M)	6118	4577	4810	5107
GDP in % change	6.7	-25.2	5.1	6.2
Private consumption (%)	6.8	-17.4	-2.0	4.4
Public consumption (%)	7.3	-0.8	-2.7	-2.3
Total Consumption (%)	6.9	-12.5	-2.2	2.1
Private investments (%)	4.5	-32.0	-7.7	47.5
Public investments (%)	-35.3	-0.9	-54.5	0.0
Total investments (%)	2.8	-31.2	-9.6	46.5
Export Goods and Services (%)	3.8	-44.1	36.1	15.8
Exports Tourism (%)	3.8	-49.2	46.6	18.0
Import Goods and Services (%)	2.9	-31.7	15.8	19.8
	2019	2020	2021	2022
Tourism				
Total Stayover Visitors (number*1000)	1119	368	634	866
Total Cruise Passengers (number*1000)	832	255	15	390
Export from Tourism (in Afl. M)	3749	1905	2793	3296

Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

*Central Bureau of Statistics, Dec. 2020.

Consumption

The Total Consumption in nominal terms is projected to decline by 2.2 percent in 2021 and increase by 2.1 percent for 2022 (see Table 1).

Private Consumption, in nominal terms, has an estimated drop of 2.0 percent for 2021, followed by a growth of 4.4 percent that is projected for 2022 (see Graph 2).

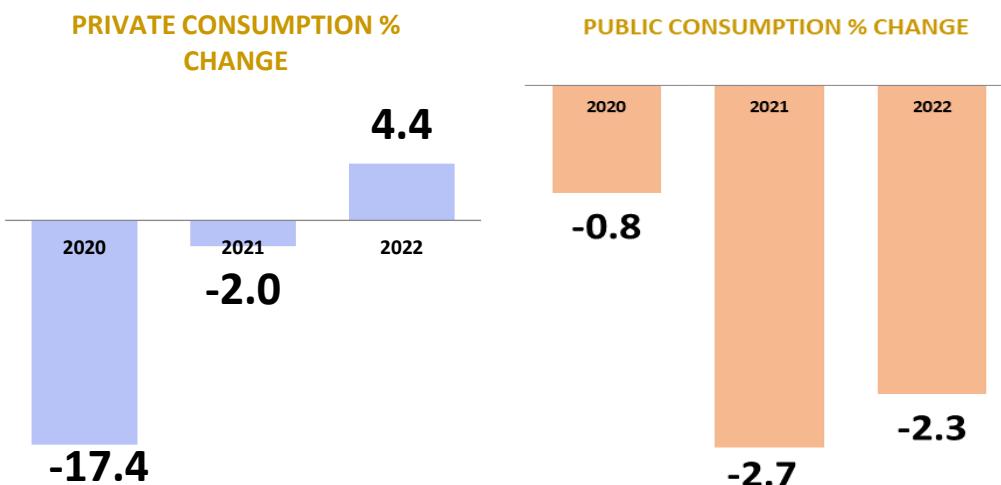
The influencing factors are based on the assumption that wages will not recover in 2021 to the level of 2019. The amount of wage subsidies to enterprises will depend on the growth of the tourism, but wages will still stay below the level of 2019. In addition, expected lower investment due to delays in projects in 2020 and 2021 and lower revenue for businesses compared to 2019 will result in an expected drop in employment in 2021. By 2022, the projected growth in Private Consumption will be influenced by the gradual pick-up in private sector employment as a result of the pick-up in tourism and an expected increase in investments in 2022.

It must be stated that in the projection for 2021, the financial support provided by the government to the private sector is included until December 2021.

Finally, the projections of Public Consumption are based on the latest data received from the Department of Finance (February 2021), which will lead to a nominal decrease of 2.7 percent in 2021 and a further decline of 2.3 percent for the year 2022 (see Graph 2). This decrease is attributed to less

consumption of goods and services by the government, a decrease of 12.6 percent in wages of the public sector as result of measurements taken in response to the pandemic and the large drop in public revenues. It is assumed that these measures will be maintained in 2022.

Graph 2: Public - and Private Consumption in percentage change for the years 2020- 2022



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

Investment

Total Investment in 2021 shows a nominal decrease of 9.6 percent and for 2022, a nominal increase of 46.5 percent (see Table 1).

Private Investments will drop by 7.7 percent in 2021 and increase by 47.5 percent in 2022 (see Graph 3). The expected decrease in Private Investment in 2021 is a consequence of delays in 2021. Although we have a growth in the total amount of private investment projects in 2021, due to the COVID-19 uncertainties surrounding the local economic recovery, a 25 percent risk factor has been applied to all planned projects for 2021. For the year 2022, it is expected that most of the investments that were on hold in 2020 and 2021, due to the pandemic, will be gradually picking up again. The reason for this is the positive outlook of the U.S. economy as the biggest market shares of the tourism sector of Aruba. The impact thereof will be positive for Aruba.

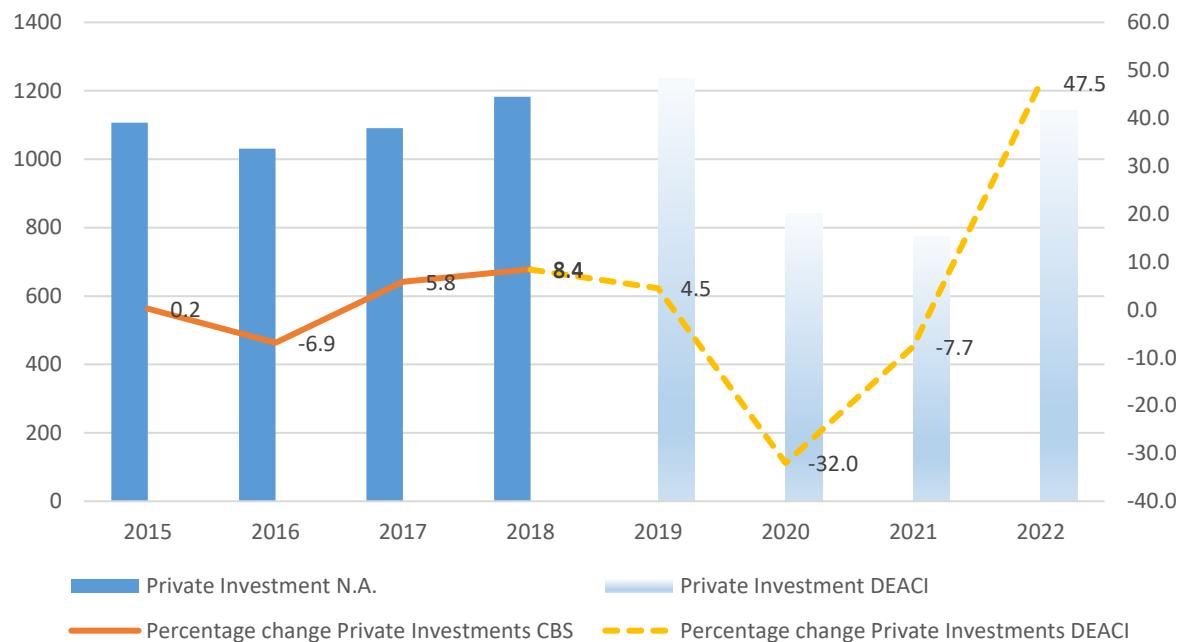
It is also important to notice that the tourism sector has started to pick up again which will have a spin off effect and will result in more economic activity. Not only the quantity of tourism has been gradually increasing but the average spending per tourist has also shown an increase. This means that investors will have more confidence in the economy and therefore willing to invest in the coming years. Moreover, the high vaccination rate has also contributed to attain certain level of trust.

For Public Investment a decrease of 54.5 percent is expected in 2021 and no percentage change in public investment in 2022 as the nominal amount for public investment will remain the same in 2022. This is in line with the data received from the budget 2021 and 2022 from the Department of Finance. The government allocated a total amount of Afl. 40 million for investments to stimulate the economy in 2020, Afl. 20 million in 2021 and 2022.

Graph 3 illustrates the trend of the percentage growth of the Private Investment over the years 2015-2022. The graph shows the development of the Private Investment and it shows how the Private Investment is expected to pick up after the COVID-19 pandemic.

For the year 2015 until 2018, the Public Investment and their percentage change are based on the National Accounts. The Private Investment from 2019 till 2023 are according to the projections of the MARUBA model, based on different key stakeholder's information in the private sector.

Graph 3: Development of Nominal Private Investment in percentage change for the years 2015-2022.



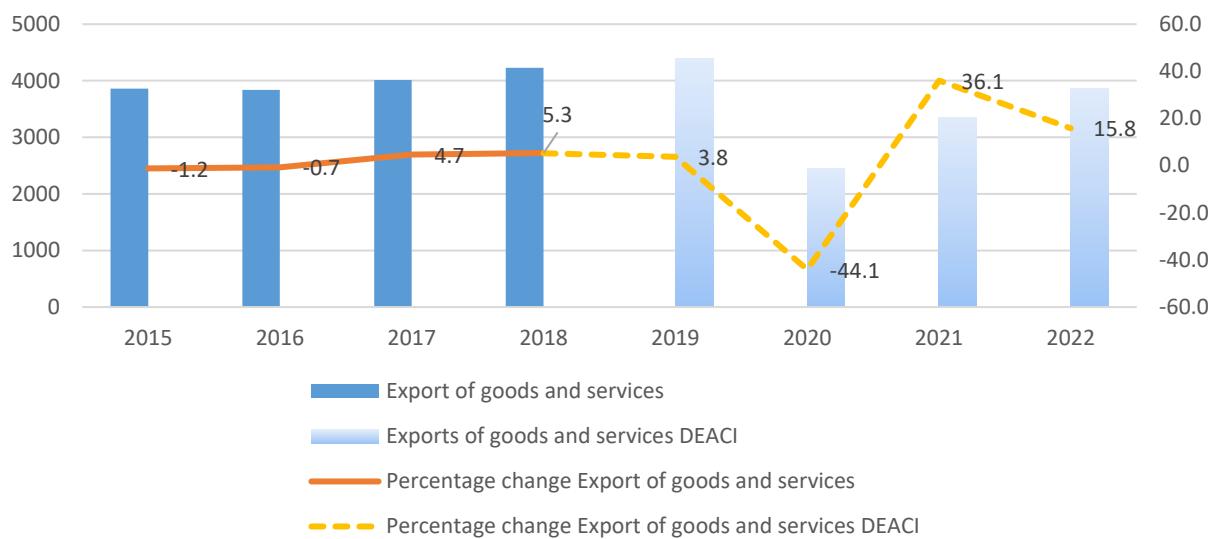
Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

National Accounts, Central Bank of Statistics, February 2021.

Export

Figures for 2021 indicate an increase for Exports of Goods and Services in Aruba. Total Export is estimated to increase by 36.1 percent in 2021 compared to 2020 and in 2022 an increase of 15.8 percent in nominal terms (see Graph 4).

Graph 4: Development of Nominal Exports of Goods and Services in percentage change for the years 2015-2022.

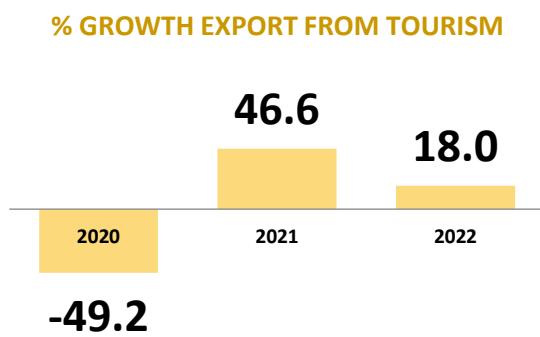


Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021 National Accounts, Central Bank of Statistics, February 2021.

Tourism export, which is considered the main contributor to Aruba's economy, indicates a nominal increase of 46.6 percent in 2021 and for 2022 a growth of 18.0 percent (see Graph 5).

The development of total tourism revenue depends on the recovery in total stay-over and cruise visitors, and the spending capacity of these visitors.

Graph 5: Development of Exports from Tourism in percentage change for the years 2020-2022.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

For 2021, the numbers of stay-over visitors are estimated to decrease by 43.0 percent compared to 2019, which is based on the adjusted "Cautiously Optimistic" scenario of ATA (March 2021) in combination with tourism data updated till April 2021. As already mentioned for the expenditure (per night) in non-accommodation the latest development recorded in the first quarter of 2021, regarding tourism expenditure is taken in consideration including the historical trend on this variable.

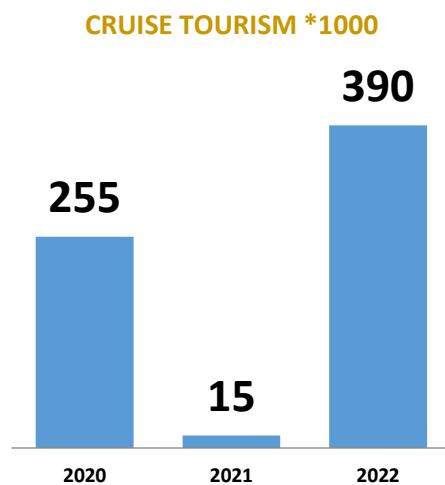
Subsequently for the year, 2022 an increase of 37% in stay over visitors is expected which still represents a decrease of 23 percent in stay over visitor compared to 2019. The assumption is that in

the mid-year of 2023 Aruba will reach the level of 2019 in stayover-visitors. This is in line with the most positive scenario of the UNWTO dated February 2021 received from A.T.A. Regarding Average Daily Rate, this is expected to be the same as 2021. Subsequently the expenditure in non-accommodation is expected to return to pre COVID 19 level and the estimated average length of stay is 7.9 for 2021 and 2022.

Cruise visitors are estimated to drop with almost 100 percent in 2021 compared to 2019 and 2020. For 2022, an amount of 389.790 cruise visitors is expected, which is based on the cautiously optimistic scenario of APA received in April 2021. This amount of cruise visitors will be approximately at 47 percent of the level of 2019. For the year 2021 a decrease of 94.1 percent is expected in the total cruise tourism compared to 2020. Graph 6 illustrates the total cruise passengers for the year 2020-2022.

However, as it relates to tourism arrivals for 2021, these estimations remain subject to change. The uncertainties surrounding the pandemic is the most important factor influencing the tourism industry globally for 2021 and 2022.

Graph 6: Development of Total Cruise Tourism for the years 2020-2022.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

Import



Since the '80s tourism has been the key economic driver for Aruba. This has created a complex relationship between the increase in tourism consumption and Imports, where the higher the dependency on tourism, the higher the dependency on Import of Goods and Services.

For 2021 and 2022, an estimated nominal increase of 15.8 percent and 19.8 percent in Import are respectively expected. These changes in 2021 and 2022 are explained by the expected growth in tourism-related exports and an expected growth in oil prices, while considering utilities price (water and electricity) at the same level as 2020.

Gross Domestic Product (GDP) 2021-2022 –Optimistic scenario

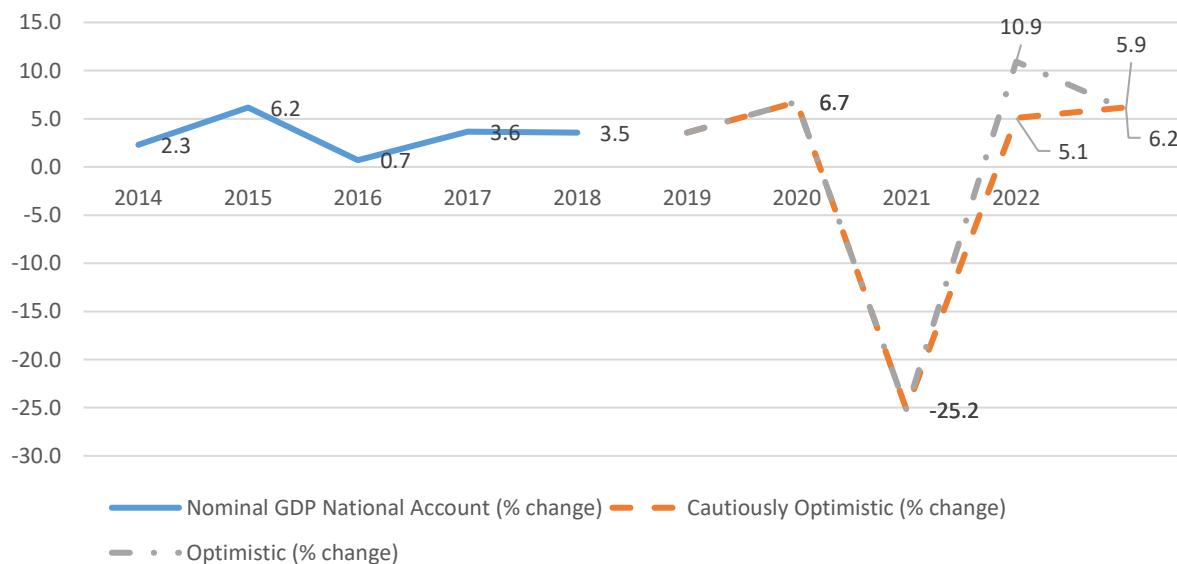
Compared to 2020, the projections for the year 2021 and 2022 show a growth of the Nominal Gross Domestic Product (GDP) for both years. As shown in Table 2, the estimated Nominal GDP will have an increase of 10.9 percent in 2021 compared to 2020 and a projected growth of 5.9 percent in 2022 compared to 2021.

When the projection for 2021 is compared to the forecast published in December 2020, this signifies a Nominal GDP change of +2.4 percentage points (from 8.5 % to 10.9 %), which is impacted by a more positive tourism recovery assumption of +5 percentage points expected (from -40% to -35%). Other influencing factors are a higher expenditure per tourist for non-accommodation expected in 2021 compared to earlier publication in December 2020. Hereby taking the latest expenditure data of the first quarter of 2021 into account.

Finally, in this optimistic scenario it is expected that the Nominal GDP for 2021 (Afl. 5077m) will be at 83.0 percent of the level of 2019 (Afl. 6,118m), while the Nominal GDP in 2022 (Afl. 5379m) will be at 87.9 percent of the level of 2019. Compared to earlier forecast in December 2020, for 2021 this signifies a change of +9.9 percentage points (from 73.1 % to 83.0 %).

Graph 7 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the course of 9 years, including the optimistic scenario for 2021-2022. Note that the Nominal GDP for the years 2019 until 2023, are based on DEACI's projection.

Graph 7: Percentage growth of Nominal GDP for the years 2014 until 2022 – Optimistic Scenario.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021 for the years 2018 – 2022. National Accounts, CBS February 22, 2021.

Results Macro-Economic Indicators 2021-2022-Optimistic scenario

The main driver of the expected growth in 2021 compared to 2020 and for 2022 compared to 2021 is an increase in Export Goods and Services of 54.3 percent and 15.8 percent. This is based on the assumption that in the second half of 2021 Aruba will be at 88% level of 2019 for stayover visitors and in the fourth quarter of 2022 Aruba will be at the level of 2019 for stayover visitors. The results for Tourism Export shows an increase of 70.1 percent compared to 2020 and for 2022 an increase of 17.6 percent compared to 2021.

In this optimistic scenario, investments are maintained as the baseline for the years 2021-2022.

Table 2 shows the result for the GDP and its components in nominal terms for the optimistic scenario in comparison with the year 2020. See VII Annex for the assumptions underlying the different scenarios in this analysis.

Table 2: Percentage growth of Nominal GDP and its main indicators for the optimistic scenario years 2021– 2022.

Nominal	2020	2021	2022
	Estimate	Optimistic	Optimistic
Inflation (%)	-1.3*	1.7	1.6
Gross Domestic Product (in Afl. M)	4577	5077	5379
GDP in % change	-25.2	10.9	5.9
Private consumption (%)	-17.4	-1.7	4.6
Public consumption (%)	-0.8	-2.7	-2.3
Total Consumption (%)	-12.5	-2.1	2.3
Private investments (%)	-32.0	-7.7	49.3
Public investments (%)	-0.9	-54.5	0.0
Total investments (%)	-31.2	-9.6	48.3
Export Goods and Services (%)	-44.1	54.3	15.8
Export Tourism (%)	-49.2	70.1	17.6
Import Goods and Services (%)	-31.7	22.1	21.1
	2020	2021	2022
Tourism			
Total Stayover Visitors (number*1000)	368	744	1004
Total Cruise Passengers (number*1000)	255	102	637
Export from Tourism (in Afl. M)	1905	3242	3813

Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021.

*Central Bureau of Statistics, Dec. 2020.

For 2021, total nominal Consumption indicates a decrease of 2.1 percent with an expected Private Consumption decrease of 1.7 percent in nominal terms.

For 2022, total nominal Consumption indicates an increase of 2.3 percent, with an expected Private Consumption increase of 4.6 percent in nominal terms.

With regards to Private Investments a decrease of 9.6 percent is expected for 2021 and for 2022 an increase of 48.3 percent is expected in nominal terms.

The Export of Goods and Services show an increase of 54.3 percent in nominal terms for 2021 and for 2022 an increase of 15.8 percent in nominal terms. As a result, Import of Goods and Services shows an increase of 22.1 percent in nominal terms in 2021 and for 2022 an increase of 21.1 percent.

Overall, the optimistic scenario shows a higher percentage growth in the main economic indicators as a result of a higher recovery in tourism. DEACI recommends using the cautiously optimistic scenario as the base scenario for 2020-2022.

IV. Results Nominal GDP projection 2023 and its main drivers

DEACI is prudent with the projection for 2023 due to the increasing uncertainties in time. Therefore, these estimations have to be considered preliminary and used with care. For the year 2023, the projections show a growth of the Nominal Gross Domestic Product (GDP).

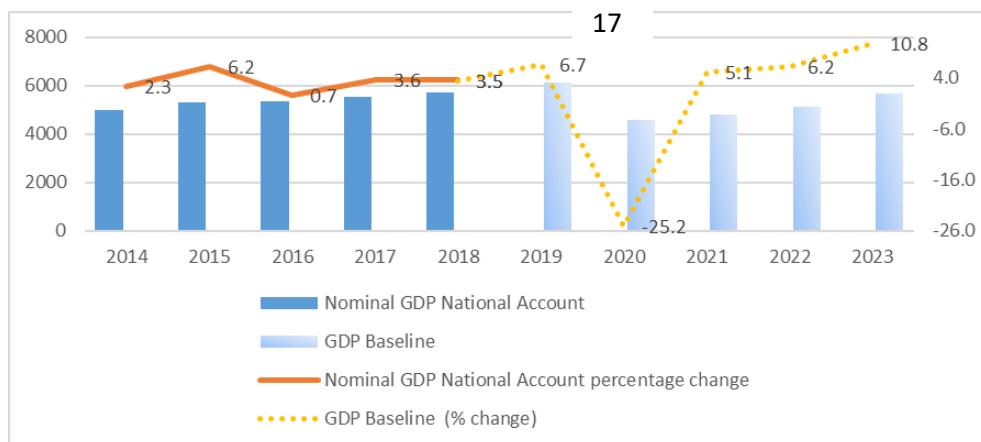
The main driver of the expected growth in 2023 compared to 2022 are an increase in Export of Goods and Services of 21.0 percent in nominal terms and Private investment that will have a growth of 10.7 percent in nominal terms. At the same time, a growth in Private Consumption of 1.8 percent is expected in nominal terms.

For the baseline a difference of -0.5 percent in stay over visitor is expected compared to 2019, assuming that in the mid-year of 2023 Aruba will reach the level of 2019 in stayover-visitors. This is in line with the most positive scenario of the UNWTO dated February 2021. Regarding Average Daily Rate, this is expected to be the same as 2022, where the expenditure in non-accommodation is expected to return to pre COVID 19 level.

For 2023, an amount of 665.000 cruise visitors is expected, which is based on the projected scenario of APA received in April 2021. This amount of cruise visitors will be approximately at 80 percent of the level of 2019.

Graph 8 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over course of 10 years for the basic scenario 2021-2023. Note that the Nominal GDP for the years 2019 until 2023, are based on DEACI's projection.

Graph 8: GDP Development in Afl. M and in % change for the baseline scenario 2014-2023



Source: Department of Economic Affairs, Commerce and Industry of Aruba, May 2021 for the years 2018 – 2022. National Accounts, CBS February 22, 2021.

V. The Global Economy

The Covid-19 pandemic is impacting the world economy. Companies have been declared bankrupt, people have lost their jobs, making them part of the unemployed statistics. This in turn, also has consequences to the contraction of the global economy. As no one has a crystal ball to predict what the future holds and how this pandemic will further develop, the future of the world economy is still uncertain as it is unknown how the progress of this pandemic will continue to evolve.

Therefore, the 2021-2023 Economic Outlook remains subject to high levels of uncertainty and the degree of validation behind forecasting economic indicators has never before been so challenging.

In March 2021 OECD's Economic Outlook states that the economic prospects have improved markedly in recent months, supported by the gradual deployment of effective vaccines, announcements of additional fiscal support in some countries, and signs that economies are coping better with measures to suppress the virus. According to the OECD, Global GDP growth is projected to be 5% per cent in 2021 and 4% in 2022, with global output rising above the pre-pandemic level by mid-2021. Despite the improved global outlook, output and incomes in many countries will remain below the level expected prior to the pandemic at the end of 2022 (OECD Economic Outlook, Interim Report, March 2021).

Subsequently, according to the IMF, the global growth is projected at -3.3 percent in 2020 in real terms while the global economy is projected to grow at 6.0 percent in 2021, 4.4 percent in 2022 and 3.5 percent in 2023 (WEO, April 2021).

For the European related countries, real GDP is expected to decrease by 6.6 percent in 2020, followed by an increase of 4.4 percent in 2021. Furthermore, the IMF has prognosed a 3.8 and 1.9 percent increase for the year 2022 and 2023 respectively (WEO, April 2021).

More specifically, the Netherlands' Real GDP is expected to decline 3.8 percent in 2020, followed by an increase of 3.5 percent in 2021 (WEO, April 2021). In addition, for the Netherlands, the IMF has

prognosed a 3.0 percent and 1.8 percent increase for the year 2022 and 2023 respectively (WEO, April 2021).

Finally, for Latin America and the Caribbean, the Real GDP is expected to drop by 7.0 percent in 2020, followed by an increase of 4.6 percent in 2021 and 3.1 percent growth in 2022, 2.7 percent increase in 2023 (WEO, April 2021).

Global Inflation

Inflation is characterized by the continued increase in the level of prices of goods and services. However, great uncertainty surrounds the global inflation projections for the upcoming years. According to OECD Cost pressures have begun to emerge in commodity markets due to the resurgence of demand and temporary supply disruptions, still underlying inflation remains mild, held back by spare capacity around the world (OECD Economic Outlook, Interim Report, March 2021).

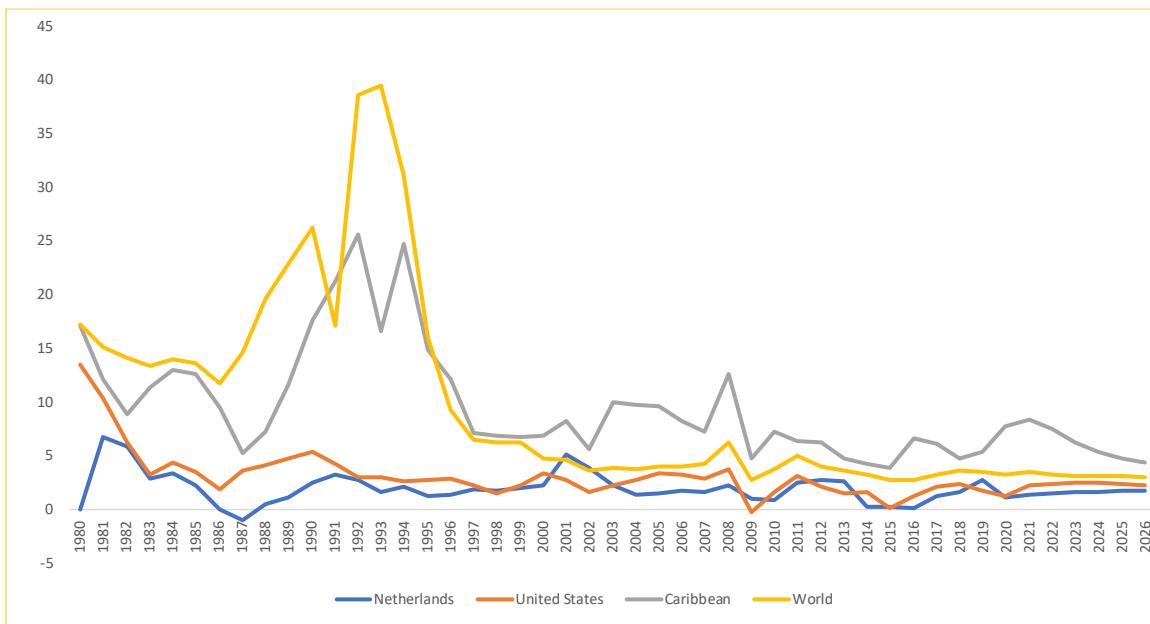
Inflation is expected to remain low for the advanced economy group, projected at 0.7 percent for 2020 to 1.6 percent for 2021, 1.7 percent for 2022 and 1.8 percent for 2023 and broadly stabilizing thereafter at 1.9 percent (WEO, April 2021).

As for Statista, the Global Inflation Rate is expected to grow from 3.18 percent in 2020 to 3.39 percent in 2021, 3.18 percent in 2022 and 3.14 percent in 2023.

For the Netherlands, inflation is expected to be at 1.1 percent in 2020 with a slight increase in 2021 at 1.9 percent and 1.4 percent in 2022, which is characterized by great uncertainty and imbalance between supply and demand caused by the fluctuating cases of COVID-19 in the country (CEP 2021, Projections March 2021).

Same uncertainties apply for the forecast of the U.S. and the Caribbean's inflation for 2021. US inflation is expected to be 1.2 percent in 2020, for 2021 inflation is estimated at 2.3 percent. For the years 2022 and 2023 the inflation will respectively 2.4 percent and 2.5 percent (WEO, April 2021). Finally, the Caribbean inflation is expected to be 7.7 percent in 2020, 8.4 percent for 2021, 7.5 percent in 2022 and 6.3 percent 2023 (WEO, April 2021).

Graph 9: Inflation Rates World, Netherlands, U.S.A. and the Caribbean.



Charts created by DEACI using IMF historical data.

Oil Prices

According to the U.S. Energy Information Administration (EIA), the latest data for Brent Crude Oil prices shows an amount of \$41.69 per barrel in 2020. For 2021 and 2022 respectively \$62.28 and \$60.49 per barrel is expected. The COVID-19 pandemic has influenced the demand and supply of energy and will continue to affect the prices in the future. These rising Brent prices per barrel is due to the expected increase in oil demand due to the positive COVID-19 vaccination rates, increasing global economic activities and with limit and or delay crude oil production of the Organization of the Petroleum Exporting Countries (OPEC) and partner countries. These prognoses by the Energy Information Administration are dependent on various factors, as:

- The future production of the OPEC and partner countries;
- The USA production and prices;
- The pace of the energy demand.

(www.eia.gov)

The U.S. Economy and its impact on the Caribbean Region

The IMF expects for the U.S. a growth of real GDP growth of 6.4 percent for 2021 and a further growth of 3.5 percent for 2022 and for 2023 a growth 1.4 percent. This means a positive outcome for the tourism sector for Aruba and other Caribbean islands, as the biggest market share of the tourism sector of Aruba. With fears about the virus starting to ease, consumers seem more willing to travel. This positive GDP growth will have a tremendous impact on the Caribbean region, being one of the most tourism dependent regions in the world. Not only will this growth of the real Gross Domestic product determine the number of visitors visiting Aruba, but the Aruban government policy effectiveness in handling the COVID-19 pandemic may have contributed to this positive result as well.

VI. Annex Assumptions

Table A: Assumptions Scenario: Cautiously Optimistic –Baseline

Basic Assumptions			
Scenario : Cautiously Optimistic - Baseline	2021 -Baseline	2022 - Baseline	2023 - Baseline
Stayover visitor	-43% (2021 vs 2019) (cautiously opt. ATA comb. with updated data till April 2021)	-23% (2022 vs 2019)	Mid-year level 2019 -5% (2021 vs. 2019)
Cruise visitor	APA Cautious Optimistic 14.994 visitors	APA Cautious Optimistic 389.790 visitors	APA forecast 665.000 visitors
Ad Hoc Investment	Calculation based on stakeholder update list with a risk factor of 25%	Calculation based on stakeholder update list with a risk factor of 25%	Same as 2022
(Average Daily Rate) ADR	Amount between 2019 and 2020 level	ADR same as 2021	Same as 2021
Expenditure non accommodation stayover	(2020 considered as outlier) for ADR and exp. non. accom.	Exp. non. accom. return to pre-COVID-19 level	Exp. non. accom. return to pre-COVID-19 level
Gov. Expenditure	Budget 2021 (B-2021)	Multi annual budget (DF)	Multi annual budget (DF)
Labor market	Drop in employment due to expected less revenue for companies and due to expected lower investments	Gradually up pick in private sector employment due to up pick in tourism and investments	Expected 2018 level private sector employment
Gov. Financial Support	Level of support related to tourism recovery	No	No

Table B: Assumption Scenario: Optimistic

Basic Assumptions		2021 -Optimistic	2022 - Optimistic	2023 - Baseline
Scenario : Optimistic				
Stayover visitor*		-35% vs 2019 2 nd Quarter level of Adjusted ATA “Cautiously Optimistic” scenario 2021.	-10.3% vs 2019 4 th Quarter level 2019	0.5% vs 2019
Cruise Visitor		Optimistic Sc. APA 102.294	Optimistic Sc. APA 389.790	Same as basic scenario 2023

*The optimistic scenario on stayover visitors is based on DEACI's own calculations taking into account the most recent tourism developments with the assistance provided by CARTAC during the midterm projection mission (March-April 2021).