



Economic Outlook 2021 – 2023

October 2021

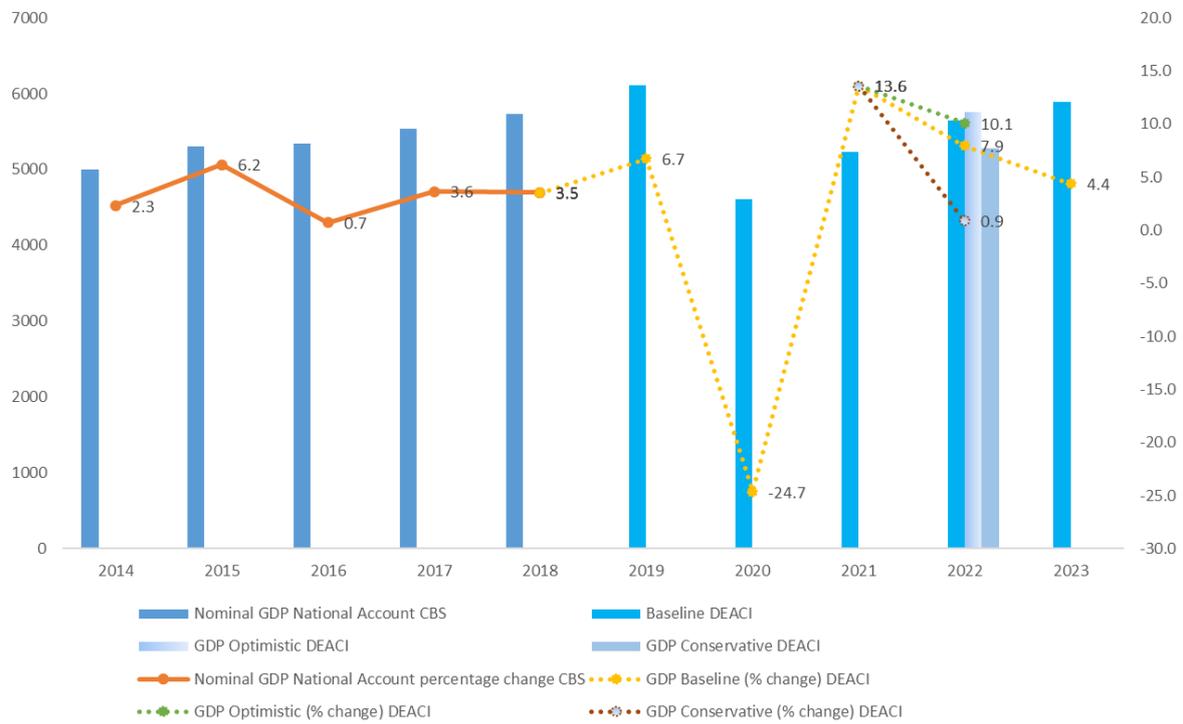


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Summary

Graph 1: Percentage growth of Nominal GDP for the years 2014 until 2023- with scenarios in 2022



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019 – 2023. National Accounts, CBS February 22, 2021

Chapter 1 Introduction

DEACI structurally monitors the economy and advises the Minister of Economic Affairs, Communications, Sustainable Development on current and future economic developments. For analyzing purposes, the DEACI uses a macro- economic model tool, the MARUBA model. This MARUBA Model is based on the National Accounts and reflects the functioning of the Aruban economy, and is used to forecast the macro economic developments of Aruba.

In March and April 2021 an additional Technical Assistance mission (after two Technical Assistance missions in 2020) was held by CARTAC/IMF. 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 implemented.

The economy of Aruba has been severely affected by the outbreak of COVID-19 and the subsequent lockdown in March 2020. The Gross Domestic Product declined by 24.7 percent due to the consequences of the Covid-19. 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 and the accelerating rollouts of Covid-19 vaccines in combination with tourists slowly returning to the island was still not sufficient for a solid economic recovery in 2020. Subsequently in 2021 the nominal GDP shows a growth of 13.6 percent, showing that the economy is recovering at a faster pace than expected.

According to the IMF, the global growth is projected at –3.1 percent in 2020 in real terms. In addition, the global economy is projected to grow at 5.9 percent in 2021, 4.9 percent in 2022 and 3.6 percent in 2023 (WEO, October 2021).

In 2021 IMF projected in real terms a growth of 12.8 percent for Aruba and a 7.5 percent in 2022 compared to 2021 and 6.2 percent in 2023 compared to the year before.

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. Last May, DEACI presented the revised outlook for 2021 – 2023 based on data up to April 2021. After monitoring and revising the projections based on new developments and data, DEACI presents in October 2021 the official Economic Outlook 2021 - 2023, including different projected scenarios for 2022. DEACI is still prudent with projections for 2023 due to the increasing uncertainties in time.

In this final analysis, the tourism sector is showing a continuous recovery and at a faster pace than anticipated in previous outlook. The government policy support, the high vaccination rate and the efforts from the Aruba Tourism Authority to promote Aruba, have contributed to this positive economic development. Although Private Investment remains limited for 2021 an increase in Private Investment is expected in 2022 as delayed projects in 2020 and 2021 are planned to reactivate in 2022. Subsequently a further increase in Private investment is expected in 2023 as projects scheduled to start in 2022 and ongoing projects in 2021 are expected to continue.

The 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 is recuperating and at a faster pace than expected. The main driver behind the Nominal Gross Domestic Product (GDP) increase in 2021 is the tourism sector as Aruba's sole source of income.

In the following chapters, the estimated GDP for 2021 – 2023 will be discussed followed by the projections for the Nominal GDP for 2021-2023. Three scenarios for 2022 are being presented. A baseline, an optimistic and a conservative scenario, which will be extensively discussed. Subsequently the projection for 2023 will be presented.

The baseline in this outlook for 2021 is derived from ATA's most recent estimation received August 2021, combined with recent data on stayover visitor until September 2021. In addition, the projections include tourism receipts official data from the first quarter of 2021 and an estimation for the second quarter of 2021 in consultation with the Central Bank of Aruba (CBA).

Regarding year 2022, the baseline is derived from the optimistic scenario from the estimation on stay over visitors of ATA dated August 5, 2021. The “optimistic scenario”, is based on DEACI’s own calculations considering the most recent tourism developments and the best-tourism related scenario. Subsequently for the “conservative scenario”, the estimation on stayover visitors is derived from the cautiously optimistic scenario from ATA received August 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).

Chapter 2 Economic Outlook 2021

The estimations for 2021 are based on the analysis of the available data and stakeholder's information as per October 2021.

Compared to 2020, the estimation for the year 2021 shows an increase of 13.6 percent of the Nominal GDP as shown in Table 1. This difference is driven by a more positive recovery than expected in the tourism sector. When compared to the forecast in May 2021, this signifies a nominal GDP change of +8.5 percentage points (from 5.1% to 13.6%). This difference is mainly due to a more positive recovery in the tourism sector than initially expected, resulting in a Nominal Export Tourism of +17.5 percentage points higher (from 46.6% to 64.1%) in 2021 compared to the forecast dated May 2021. In addition, Private Consumption estimates indicate a change of +5.1 percentage points (from -2.0% to +3.1%), when compared to the forecast dated May 2021. This is primarily attributed to a recovery in the labor market faster than expected. In addition, despite this recovery in the labor market, the assumption is still that wages have not recovered to 2019 levels in 2021.

The Nominal GDP in 2021 (Afl. 5234m) will be approximately at 85 percent of the level of 2019 (Afl. 6117m). This is an increase of approx. +7 percentage points (from approx. 78.6% to 85.6%), compared to the forecast dated May 2021. Furthermore, the estimated Nominal GDP in 2021 compared to 2020 is impacted by a decline in Private and Public Investments (-8.7% and -39.5%). Export of Goods and Services is estimated to increase by 49.6 percent in 2021, resulting in an increase in Import of Goods and Services of 17.9 percent compared to 2020.

From information and data received for Private Investment, from key stakeholders, there is still a delay in significant tourism and infrastructural projects in 2021, meaning that most of the investments from 2020 and 2021 have shifted to 2022. At the other hand taken into account that the tourism industry is picking up, confidence among entrepreneurs and citizens is rising. Furthermore, for the Import of Goods and Services in 2021 an estimated nominal increase of 17.9 percent is expected compared to 2020. These changes are explained by a slightly increase of Private Consumption and Tourism-related Exports, and the decrease in Private Investment, each individually influencing the Import of Goods.

Finally, CPI's period average recorded an inflation of 0.6 percent in 2021. Note while there are international developments that may affect our CPI in the near future, e.g. the supply and chain

sector, we still do not have further concrete data to assume a higher inflation rate. Therefore, DEACI is prudent with the projection of the CPI for 2021 and the coming years. This estimate should be considered preliminary and used with care.

Table 1: Percentage growth of Nominal GDP and its main indicators for the years 2019 – 2021.

	2019	2020	2021 Outlook May	2021 Final Outlook
Nominal (in %)	Estimate	Estimate	Estimate	Estimate
Inflation (%)	3.9	1.3	1.7	0.6
Gross Domestic Product (in Afl. M)	6117	4609	4810	5234
GDP in % change	6.7	-24.7	5.1	13.6
Private consumption (%)	6.8	16.1	-2	3.1
Public consumption (%)	7.3	-0.8	-2.7	-3.9
Total Consumption	6.9	-11.6	-2.2	0.8
Private Investments (%)	4.5	-32	-7.7	-8.7
Public Investments (%)	-35.3	-0.9	-54.5	-39.5
Total Investments (%)	2.8	-31.2	-9.6	-9.9
Export Goods and Services (%)	3.8	-44.1	36.1	49.6
Export Tourism (%)	3.8	-49.2	46.6	64.1
Import Goods and Services (%)	2.9	-31.5	15.8	17.9
	2019	2020	2021	2021
Tourism				
Total Stayover Visitors (number*1000)	1119	368	634	828
Total Cruise Passengers (number *1000)	832	255	15	102
Export from Tourism (in Afl.M)	3749	1905	2793	3126

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

Chapter 3 Economic Outlook 2022

After revising the final 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, 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.

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 and second quarter of 2021. In addition, it is still unknown if this trend will continue. We assume that this trend will flatten and gradually align with the trend of pre-Covid-19 level.

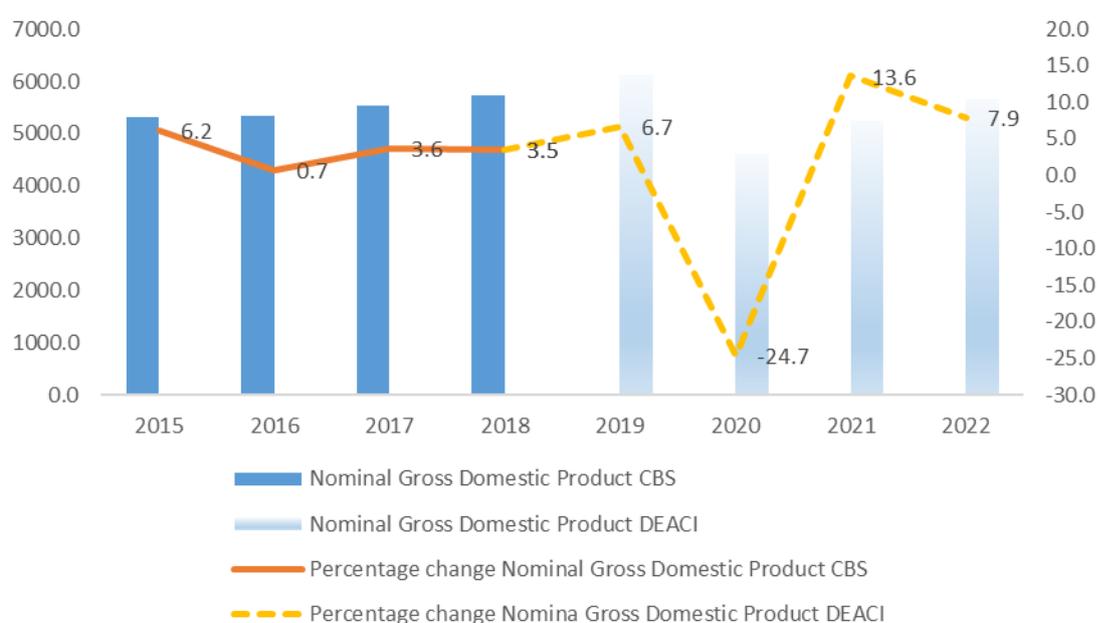
In this section, the projected Nominal GDP for 2022 basic scenario is presented followed by the optimistic and conservative scenario for 2022, which includes the macro-economic components.

Gross Domestic Product (GDP) 2022 Baseline scenario

Compared to 2021, the projections for the year 2022 show a growth of the Nominal Gross Domestic Product (GDP). As shown in Table 2, the estimated Nominal GDP will have a projected increase of 7.9 percent in 2022 compared to 2021. In this baseline scenario it is expected that the Nominal GDP in 2022 (Afl. 5650m) will be at 92.4 percent of the level of 2019 (Afl. 6117m).

Graph 2 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the course of 8 years. Note that the Nominal GDP for the years 2019 until 2022, are based on DEACI's projection.

Graph 2: Percentage growth of Nominal GDP for the years 2015 until 2022- Baseline scenario



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019 – 2022. National Accounts, CBS February 22, 2021.

Results Macro-Economic Indicators 2022 Baseline scenario

The main driver of the expected growth in 2022 compared to 2021 is an estimated increase in Total Investments of 31.0 percent followed by an increase of 19.1 percent of Export of Goods and Services, due to a projected growth in Tourism Export (tourism revenue) compared to 2021 (see Table 2). The result for Tourism Export shows an increase of 21.2 percent compared to 2021. It is important to mention that ATA’s “Optimistic” scenario for 2022 on stayover visitors is taken as baseline scenario, with an expected growth of 3.0 percent growth for the Average Daily Rate (ADR) in 2022 versus the year 2019. The expenditure (per night) in non-accommodation is expected to gradually align with the growing trend of pre-Covid-19 level. For the expenditure (per night) in non-accommodation the latest development recorded in the first and second quarter of 2021, regarding tourism expenditure is taken into account.

Table 2 shows the result for the GDP 2020-2022 and its components in nominal terms for the baseline scenario.

Table 2: Percentage growth of Nominal GDP and its main indicators for the years 2020 – 2022.

	2020	2021	2022
Nominal (in %)	Estimate	Estimate	Baseline
Inflation (%)	-1.3	0.6	1.5
Gross Domestic Product (in Afl. M)	4609	5234	5650
GDP in % change	-24.7	13.6	7.9
Private consumption (%)	-16.1	3.1	4.3
Public consumption (%)	-0.8	-3.9	-1.0
Total Consumption	-11.6	0.8	2.6
Private Investments (%)	-32.0	-8.7	32.0
Public Investments (%)	-0.9	-39.5	-4.8
Total Investments (%)	-31.2	-9.9	31.0
Export Goods and Services (%)	-44.1	49.6	19.1
Export Tourism (%)	-49.2	64.1	21.2
Import Goods and Services (%)	-31.5	17.9	18.1
	2020	2021	2022
Tourism			
Total Stayover Visitors (number*1000)	368	828	1063
Total Cruise Passengers (number *1000)	255	102	637
Export from Tourism (in Afl.M)	1905	3126	3788

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

Consumption

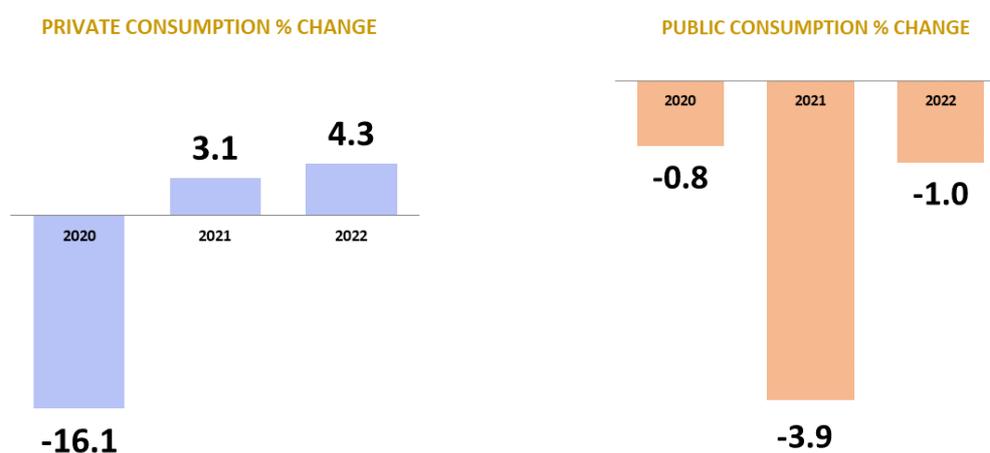
The Total Consumption in nominal terms is projected to increase by 2.6 percent in 2022. Private Consumption, in nominal terms, has an estimated increase of 4.3 percent in 2022.

The influencing factors are based on the assumption that wages will recover in 2022 to the level of 2019. 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 2022, the financial support provided by the government to the private sector will no longer be given.

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 1.0 percent in 2022. 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 3: Percentage growth of Private Consumption and Public Consumption for the years 2020, 2021 and 2022.



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

Investment

Total Investment in 2022 shows a nominal increase of 31.0 percent. (see Table 2).

Private Investments will increase by 32.0 percent in 2022. The expected increase in Private Investment in 2022 is a consequence of delays in 2020 and 2021, which is expected to pick up in 2022. From information and data received for Private Investment, from key stakeholders, most of the investments from 2020 and 2021 have shifted to 2022. At the other hand taken due the unexpected pick up of the tourism industry, confidence among entrepreneurs and citizens is rising.

Although we have a growth in the total amount of Private Investment projects in 2022, due to the COVID-19 uncertainties surrounding the local economic recovery, a 25 percent risk factor has been applied to all planned projects for 2022. For the year 2022, it is expected that most of the investments that were on hold in 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

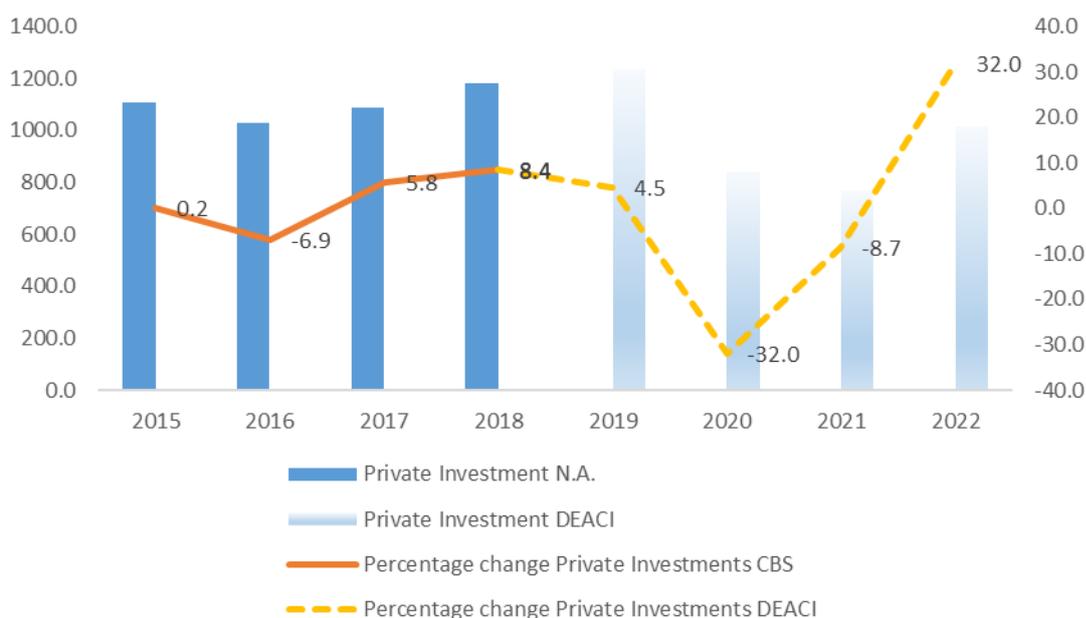
in the coming years. Subsequently, the high vaccination rate has also contributed to attain certain level of trust.

For Public Investment a decrease of 4.8 percent is expected in 2022. This difference is due the fact that in 2021 a total amount of Afl. 21 million is allocated and for 2022 a total amount of Afl. 20 million.

Graph 4 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 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 2022 are according to the projections of the MARUBA model, based on different key stakeholder’s information in the private sector.

Graph 4: Development of Nominal Private Investment in percentage change for the years 2015-2022



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019-2022. National Accounts, Central Bank of Statistics, February 2021.

Export

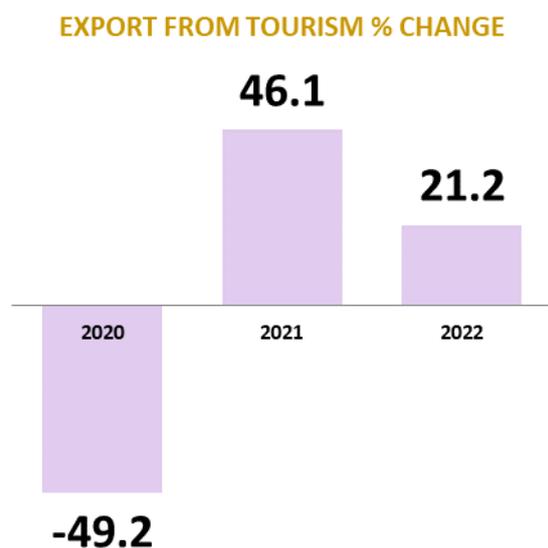
Figures for 2022 indicate an increase for Exports of Goods and Services in Aruba. Total Export is estimated to increase by 19.1 percent in 2022 compared to 2021 (see Graph 5)

Graph 5: 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, October 2021, for the years 2019-2022. National Accounts, Central Bank of Statistics, February 2021.

Graph 6: Development of Exports from Tourism in percentage change for the years 2020-2022.



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

Tourism Export, which is considered the main contributor to Aruba’s economy, indicates a nominal increase of 21.2 percent in 2022 (see Graph 6). The development of total tourism revenue depends on the recovery in total stay-over and cruise visitors, and the spending capacity of these visitors.

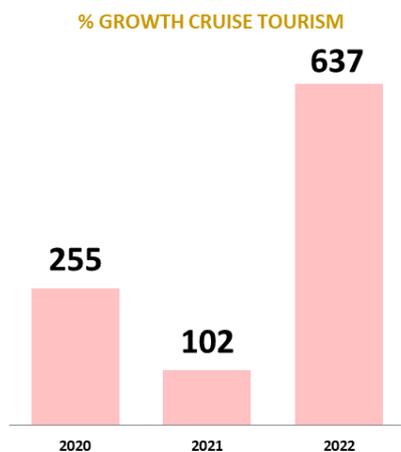
For 2022, the numbers of stay-over visitors are estimated to reach the level of 95% percent of 2019, which is based on the “Optimistic” scenario of ATA (August 2021).

As already mentioned for the expenditure (per night) in non-accommodation it is estimated that this will gradually align with growing trend of pre-COVID -19 level for the years.

Cruise visitors are estimated to reach 77 percent of the level of 2019 in 2022 which represents approximately 637,000 cruise visitors. This is based on the optimistic scenario of APA received in April 2021.

Graph 7 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 7: Development of Total Cruise Tourism for the years 2020-2022



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

Import

Since the '80s tourism has been a key economic driver for Aruba but since 2012 tourism has become the major driver of the economy in 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 2022, an estimated nominal increase of 18.1 percent is expected. These changes in 2022 are explained by the expected growth in tourism-related exports, 21.2 percent respectively and

by an expected growth in oil prices, US CPI, Export price change while considering utilities price (water and electricity) at the same level as the years before.

Gross Domestic Product (GDP) 2022 Optimistic Scenario

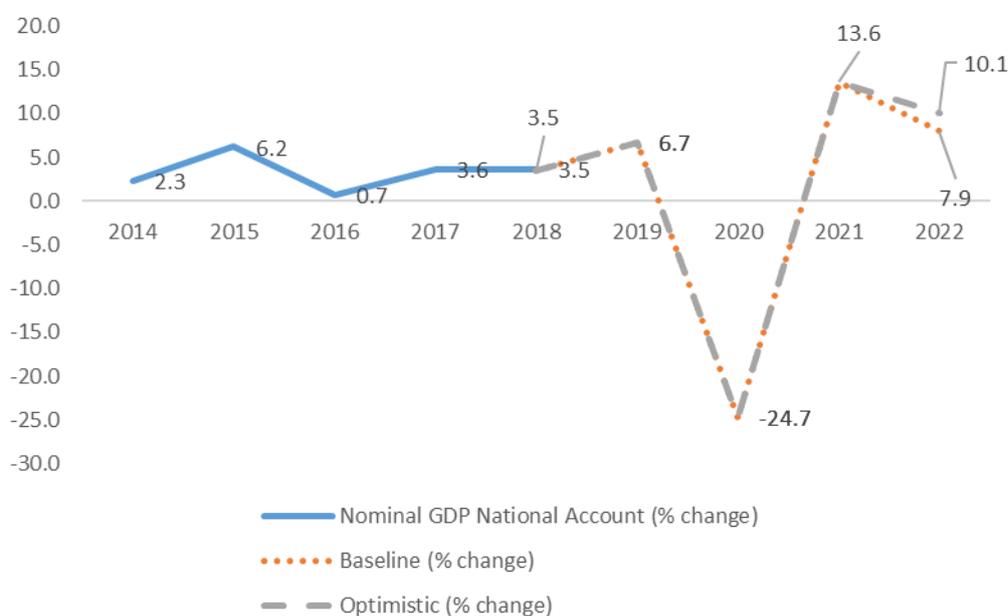
Compared to 2021, the projection for the year 2022 show a growth of the Nominal Gross Domestic Product (GDP). As shown in Table 3, the projected Nominal GDP will have an increase of 10.1 percent in 2022 compared to 2021.

When the projection for 2022 is compared to the forecast published in May 2021, this signifies a Nominal GDP change of +5.0 percentage points (from 5.1 % to 10.1%), which is impacted by a more positive tourism recovery assumption level of 100% (vs. 89.7%) stay over tourism compared to 2019.

Finally, in this optimistic scenario it is expected that the Nominal GDP for 2022 (Afl. 5762m) will be at 94.2 percent of the level of 2019 (Afl. 6117m). Compared to earlier forecast in May 2021, for 2022 this signifies a change of +15.6 percentage points (from 78.6 % to 94.2 %).

Graph 8 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the course of 9 years, including the optimistic scenario for 2022. Note that the Nominal GDP for the years 2019 until 2022, are based on DEACI’s projection.

Graph 8: Percentage growth of Nominal GDP for the years 2014 until 2022 – Optimistic Scenario.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019 – 2022. National Accounts, CBS February 22, 2021.

Results Macro-Economic Indicators 2022 Optimistic scenario

The main drivers of the expected growth in 2022 compared to 2021 are Private Investment with a growth of 32.5 percent and Tourism Export with an increase of 26.9 percent. This is based on the assumption that in 2022 Aruba will be at 100% level of 2019 for stayover visitors and for the cruise tourism the assumption is a 77% recovery in 2022 compared to 2019. The result for Tourism Export shows an increase of 26.9 percent compared to 2021. In this optimistic scenario, the investments calculations are based on the information received by various stakeholder with a risk of 25 percent on all projects due to uncertainties for the year 2022.

Table 3 shows the result for the GDP and its components in nominal terms for the optimistic scenario in comparison with the years 2020 and 2021. See I Annex for the assumptions underlying the different scenarios in this analysis.

Table 3: Percentage growth of Nominal GDP and its main indicators of 2020 – 2021 and the optimistic scenario for year 2022.

	2020	2021	2022
Nominal (in %)	Estimate	Estimate	Optimistic
Inflation (%)	-1.3	0.6	1.5
Gross Domestic Product (in Afl. M)	4609	5234	5762
GDP in % change	-24.7	13.6	10.1
Private consumption (%)	-16.1	3.1	4.4
Public consumption (%)	-0.8	-3.9	-1.0
Total Consumption	-11.6	0.8	2.7
Private Investments (%)	-32.0	-8.7	32.5
Public Investments (%)	-0.9	-39.5	-4.8
Total Investments (%)	-31.2	-9.9	31.5
Export Goods and Services (%)	-44.1	49.6	24.0
Export Tourism (%)	-49.2	64.1	26.9
Import Goods and Services (%)	-31.5	17.9	20.2
	2020	2021	2022
Tourism			
Total Stayover Visitors (number*1000)	368	828	1119
Total Cruise Passengers (number *1000)	255	102	637
Export from Tourism (in Afl.M)	1905	3126	3966

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

For 2022, Total Consumption indicates an increase of 2.7 percent, with an expected Private Consumption increase of 4.4 percent in nominal terms.

With regards to Private Investments an increase of 32.5 percent is expected in nominal terms compared to 2021. This slightly positive increase in investment compared to the baseline scenario is related to the increase in the tourism sector. In this optimistic scenario, investments are maintained as the baseline for the year 2022.

The Export of Goods and Services shows an increase of 24.0 percent in nominal terms compared to 2021. As a result, Import of Goods and Services shows an increase of 17.9 percent in nominal terms in 2021 and for 2022 an increase of 20.2 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 baseline scenario as the base for 2022.

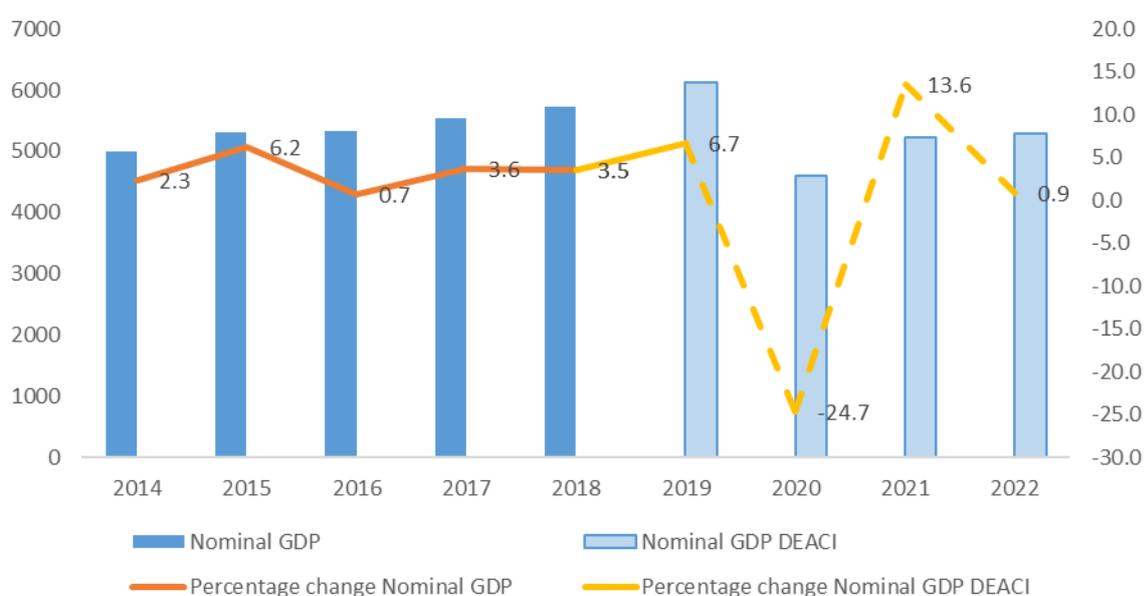
Gross Domestic Product (GDP) 2022 Conservative Scenario

Compared to 2021, the conservative projections for the year 2022 shows a slower growth of the Nominal Gross Domestic Product (GDP) of 0.9 percent compared to 2021.

Furthermore, in this conservative scenario it is expected that the Nominal GDP in 2022 (Afl. 5280m) will be at 86.3 percent of the level of 2019.

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

Graph 9: Percentage growth of Nominal GDP for the years 2014 until 2022 – Conservative Scenario.



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019 – 2022. National Accounts, CBS February 22, 2021.

Results Macro-Economic Indicators 2022 Conservative scenario

The main driver of the growth in 2022 compared to 2021 is an increase in Export Tourism of 1.8 percent. For 2022 compared to 2021, the main driver is the Private Investment with a growth of 30.5 percent.

Table 4 shows the result for the GDP and its components in nominal terms for the conservative scenario in comparison with 2020 and 2021. See I Annex for the assumptions underlying the different scenarios in this analysis.

Table 4: Percentage growth of Nominal GDP and its main indicators 2020- 2021 and the conservative scenario for years 2022.

	2020	2021	2022
Nominal (in %)	Estimate	Estimate	Conservative
Inflation (%)	-1.3	0.6	1.5
Gross Domestic Product (in Afl. M)	4609	5234	5280
GDP in % change	-24.7	13.6	0.9
Private consumption (%)	-16.1	3.1	3.9
Public consumption (%)	-0.8	-3.9	-1.0
Total Consumption	-11.6	0.8	2.3
Private Investments (%)	-32.0	-8.7	30.5
Public Investments (%)	-0.9	-39.5	-4.8
Total Investments (%)	-31.2	-9.9	29.6
Export Goods and Services (%)	-44.1	49.6	2.6
Export Tourism (%)	-49.2	64.1	1.8
Import Goods and Services (%)	-31.5	17.9	10.8
Tourism			
Total Stayover Visitors (number*1000)	368	828	895
Total Cruise Passengers (number *1000)	255	102	390
Export from Tourism (in Afl.M)	1905	3126	3181

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

For 2022, Total nominal Consumption indicates an increase of 2.3 percent, with an expected Private Consumption increase of 3.9 percent in nominal terms.

The Export of Goods and Services show an increase of 2.6 percent in nominal terms, which is impacted by Tourism Export. As a result, Import of Goods and Services shows an increase of 10.8 percent for 2022 compared to the 2021.

Once more, DEACI recommends using the baseline scenario as for 2022.

Chapter 4 Results Nominal GDP projection 2023 and its main drivers

Note that for the year 2023 we are very prudent with the projections due to the unpredictable medium-term factors related to the COVID-19 pandemic. These estimations have to be considered preliminary and used with care. See Annex I for the assumptions related to the estimated baseline 2023.

For the year 2023, the projections show an increase of the Nominal Gross Domestic Product (GDP) of 4.4 percent compared to 2022. The Nominal GDP (Afl. 5897m) is projected to be at 96.4 percent of the level of 2019 (Afl. 6117m).

The main drivers of the expected growth in 2023 compared to 2022 are an increase in Private Investment by 18.0 percent and an increase of 6.0 percent for Tourism Export in nominal terms. For Private Investment, the influencing factor is based on the assumption that the tourism and infrastructural projects for 2023 are projects planned to start in 2022 and projects that are ongoing from 2021. Public Investment shows a budget neutral estimation. Regarding Tourism an increase of 5.0 percent in stay over visitors is expected compared to 2022, which represents a level of 100 percent in stay over visitor compared to 2019. The assumption is that in the 2023 Aruba will reach the level of 2019 in stay-over visitors.

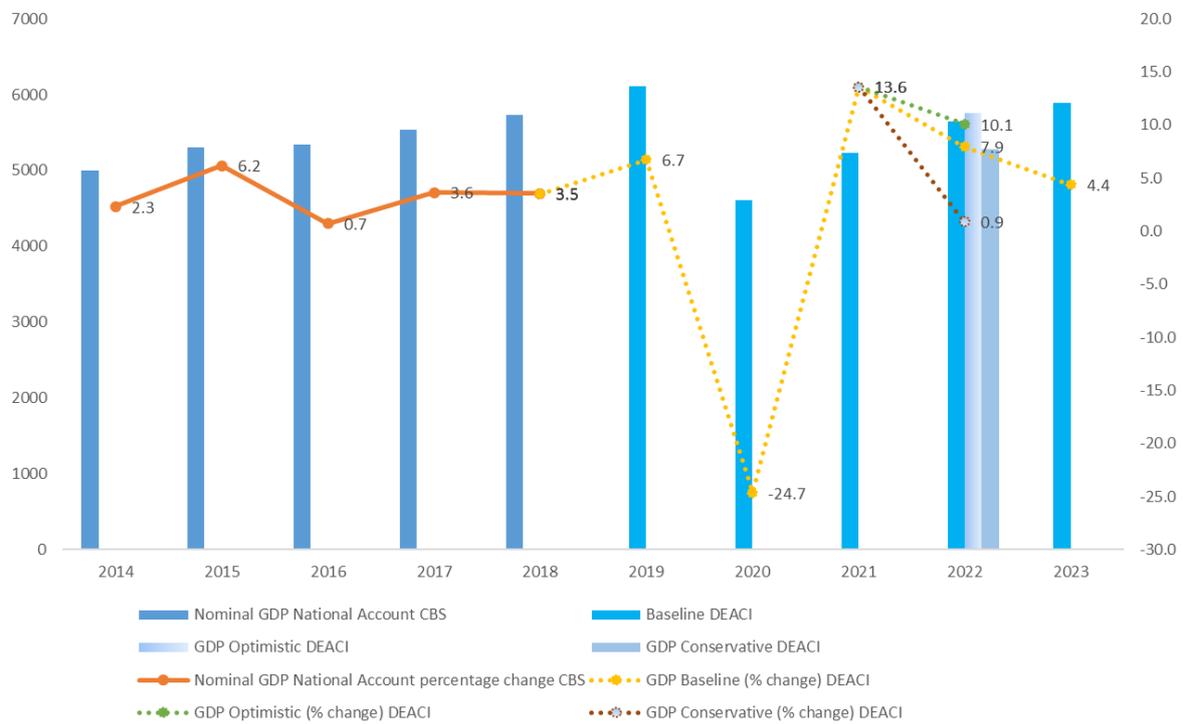
In addition, an approximately amount of 665,000 cruise visitors is expected, which is based on the 2023 scenario of APA received in April 2021. This amount of cruise visitors will be approximately at 79.9 percent of the level of 2019.

At the same time, a growth in Private Consumption of 1.9 percent is expected in nominal terms. The influencing factors are based on the assumption that wages will recover to the level of 2019 and the labor market 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 2023.

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 increase of 0.8 percent in 2023.

Graph 10 illustrates the trend of the percentage growth of the Nominal GDP for Aruba over the course of 9 years, including the conservative scenario and optimistic scenario for 2022. Note that the Nominal GDP for the years 2019 until 2023, are based on DEACI’s projection.

Graph 10: Percentage growth of Nominal GDP for the years 2014 until 2023- with scenarios in 2022



Source: Department of Economic Affairs, Commerce and Industry of Aruba, October 2021, for the years 2019 – 2022. National Accounts, CBS February 22, 2021.

Chapter 5 The Global Economy.

The Covid- 19 pandemic had an adverse effect on the global economy, but now shows an economic recovering. Vaccines access and early policy support contributed to this positive outcome. According to the International Monetary Funds, IMF the global economy is projected to grow by 5.9 percent in 2021 and 4.9 percent in 2022 and 3.6 percent in 2023 (WEO, October 2021).

Even though the global economy is performing well at the moment we should have in mind that the Covid-19 pandemic is not yet behind. The rising inflation related to the disbalance between supply and demand, higher commodity prices, the rapid spread of Delta and the possibilities of other variants are clearly showing that the economic projections are still volatile.

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

This positive growth of the global economy does not apply to every country. So, the global economic recovery remains uneven with countries emerging form the crisis facing different challenges. Poor countries will take years to recover from this pandemic, due to lagging vaccination rates, rising inflation, limited policy support, too few jobs and shortages that extent to food, water and electricity. This pandemic has affected the poor countries the most.

For the advanced economies a 5.2 percent and 4.5 percent growth are expected in respectively 2021 and 2022. In 2020 there was a 4.5 percent declined of the GDP. For emerging market and developing economies a growth of 6.4 percent and 5.1 percent is expected for the years 2021 and 2022 according to the World Economic Outlook: Recovery during the pandemic dated October 2021.

Subsequently, according to the IMF, the global growth is projected at –3.1 percent in 2020 in real terms. In addition, the global economy is projected to grow at 5.9 percent in 2021, 4.9 percent in 2022 and 3.6 percent in 2023 (WEO, October 2021).

For the USA that has a direct impact on the Aruban economy, Real GDP is expected to decline by 3.4 percent in 2020, followed by an increase of 6.0 percent in 2021, 5.2 percent in 2022 and 2.2 percent in 2023. (WEO, October 2021).

For the European related countries, real GDP is expected to decrease by 6.3 percent in 2020, followed by an increase of 5.0 percent in 2021. The IMF has prognosed a 4.3 percent increase for the year 2022 and 1.9 percent in 2023 (WEO, October 2021).

More specifically, the Netherlands' Real GDP is expected to decline 3.8 percent in 2020, followed by an increase 3.8 percent on 2021 (WEO, October 2021). Also, for the Netherlands, the IMF has prognosed a 3.2 percent and 2.1 percent increase for the year 2022 and 2023 respectively (WEO, October 2021).

Finally, for Latin America and the Caribbean, the Real GDP is expected to dropped by 7 percent in 2020, followed by an increase of 6.3 percent in 2021 and 3.0 percent growth in 2022, 2.5 percent increase in 2023 (WEO, October2021).

Global Inflation.

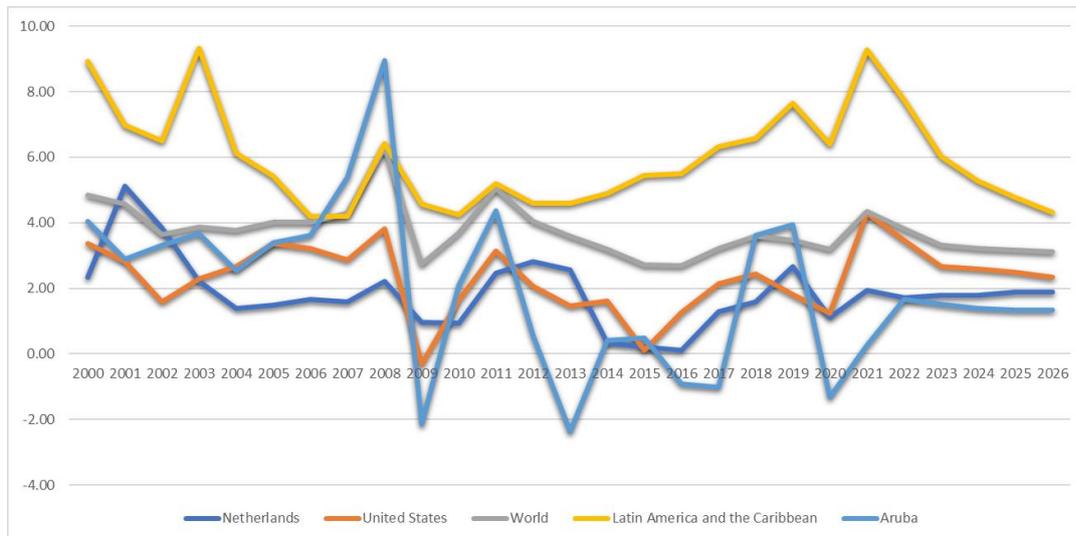
Inflation is characterized by the continued increase in the level of prices of goods and services that household buys. The sharp rebound in global demand, mismatch between supply and demand, depleted inventories have pushed up commodity prices and transportation costs worldwide. (OECD Economic Outlook, Interim Report, September 2021).

Inflation is projected at 0.7 percent for 2020 to 2.7 percent for 2021, 2.3 percent for 2022 and 1.9 percent for 2023 for the Advanced economies. The development of the world inflation is 3.2 percent in 2020, 4.3 percent in 2021, 3.8 percent in 2022 and 3.3 percent in 2023. (WEO, October 2021).

The Netherlands is expected to be 1.1 percent in 2020, 1.9 percent in 2021, 1.7 percent in 2022 and 1.8 percent in 2023. US inflation is expected to be 1.3 percent in 2020, for 2021 inflation is estimated at 4.3 percent. For the years 2022 and 2023 the inflation will respectively 3.5 percent and 2.7 percent. The world inflation is projected at 3.8 percent in 2021, 4.4 percent in 2022, 3.8 percent in 2022 and 3.3 percent in 2023. Latin America and the Caribbean inflation is expected to be 6.4 percent in 2020, 9.3 percent for 2021, 7.6 percent in 2022 and 6.0percent 2023.

Aruba is projected at -1.3 percent in 2020, 0.3 percent in 2021, 1.7 percent in 2022 and 1.5 percent in 2023. (WEO, October 2021)

Graph 11: Inflation Rates World, Netherlands, U.S.A. Latin America and the Caribbean and Aruba



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 \$71.38 and \$71.91 per barrel is expected. The growth here of is a result of factors specific to petroleum markets, such as production increases lagging demand increases. (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 5.9 percent for 2021 and a further growth of 4.9 percent for 2022 and for 2023 a growth 3.6 percent (WEO, October 2021). This means a positive outcome for the tourism sector for Aruba and other Caribbean islands, as one of the biggest market shares of the tourism sector of Aruba. 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 growth of the U.S. 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 also.

I. Annex Assumptions

Table A: Assumptions Scenario 2022

Basic Assumptions	2022	2022	2022
	Optimistic	Baseline	Conservative
Stayover Visitors	100% level (2022 vs 2019) 1,118,944 visitors	95% level (2022 vs 2019) 1,062,997 visitors	80% level (2022 vs 2019) 895,155 visitors
Cruise Visitors	77% (2022 vs 2019) 637,067 visitors	77% (2022 vs 2019) 637,067 visitors	47% (2022 vs 2019) 389,179 visitors
Ad-Hoc Investment	Calculation with a risk factor of 25% for all projects.	Calculation with a risk factor of 25% for all projects.	Calculation with a risk factor of 25% for all projects.
Average Daily Rate	ADR +3% 2022 vs 2019	ADR +3% 2022 vs 2019	ADR +3% 2022 vs 2019
Expenditure non accommodation stayover	Exp. Non accommodation gradually align with growing trend of pre-COVID -19 level	Exp. Non accommodation gradually align with growing trend of pre-COVID -19 level	Exp. Non accommodation gradually align with growing trend of pre-COVID -19 level
Gov. Expenditure	Multi annual budget (DF)	Multi annual budget (DF)	Multi annual budget (DF)
Labor market	Gradually pick up in private sector employment due to up pick in tourism investment Wages reach pre-COVID 19 levels	Gradually pick up in private sector employment due to up pick in tourism investment Wages reach pre-COVID 19 levels	Gradually pick up in private sector employment due to up pick in tourism investment Wages reach pre-COVID 19 levels
Gov. Financial Support	No	No	No
CPI	1.5	1.5	1.5

The optimistic scenario on stayover visitors is based on DEACI's own calculations taking into account the most recent tourism developments
 DEACI Baseline is based on ATA Optimistic scenario
 DEACI Conservative is based on ATA's cautiously optimistic scenario

Table B: Assumption Baseline 2023

Basic Assumptions	2023
	Baseline
Stayover Visitors	100% level (2023 vs 2019)
Cruise Visitors	80% (2023 vs 2019)
Ad-Hoc Investment	No risk factor is applied. The projects for 2023 are projects that are planned to start in 2022 and projects that are ongoing from 2021
Average Daily Rate Exp. Non accommodation	ADR +3% 2022 vs 2019 (same as 2022) Exp. Non accommodation follows growing trend of
Gov. Expenditure	Multi annual budget (DF)
Labor market	Gradually pick up in private sector employment due to up pick in tourism investment
Gov. Financial Support	No
CPI	1.6

DEACI baseline is base on ATA optimistic scenario