

Economic Outlook 2023- 2025



January 2024

Department of Economic Affairs, Commerce and Industry

Disclaimer

The Department of Economic Affairs, Commerce and Industry is prudent with the projections for 2023, 2024 and 2025 due to growing uncertainties. Therefore, these estimates should be regarded as preliminary and used with care.



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List of Abbreviations

Abbreviation Explanation

<i>ADR</i>	Average Daily Rate
<i>ATA</i>	Aruba Tourism Authority
<i>CARTAC</i>	The Caribbean Regional Technical Assistance Centre
<i>DEACI</i>	Department of Economic Affairs, Commerce and Industry
<i>EGS</i>	Exports Goods and Services
<i>EIA</i>	U.S. Energy Information Administration
<i>ET</i>	Exports Tourism
<i>GDP</i>	Gross Domestic Product at market prices
<i>IGS</i>	Imports Goods and Services
<i>PC</i>	Private Consumption
<i>PUBC</i>	Public Consumption
<i>TC</i>	Total Consumption
<i>TCV</i>	Total Cruise Visitors
<i>TI</i>	Total Investments
<i>TSV</i>	Total Stayover Visitors
<i>PI</i>	Private Investments
<i>PUBI</i>	Public Investments

Executive summary

Given the uncertainties in the global economy, particularly the pressure from inflation and global political tensions, the Department of Economic Affairs, Commerce, and Industry is cautious in its projections for the years 2023-2025. The following estimates and projections are prepared based on the information available up to November 2023 and will be revised and updated in April 2024.

The Economy of Aruba is continuing with its growth path post pandemic, although we expect a stabilizing growth in the coming years if no substantial investments occur. Being only dependable on the tourism sector is no longer sustainable.

Looking back, we note that 2021, 2022 and 2023 show an extraordinary growth which confirms the resilience of the economy in Aruba and its tourism sector. See Graph 1.

When comparing the years 2021 and 2022, we note that in 2022 the Gross Domestic Product (GDP) in nominal terms is estimated to increase by 13.8 percent. This revised estimation is 2.4 percentage points more (from 11.4 percent to 13.8 percent) than the May 2023 estimate. As a result, in 2022 the nominal GDP reaches 98.6 percent of the 2019 level. This is due to newly updated data (See Table 2, Annex B).

The growth of the nominal GDP in 2023 is estimated to increase by 13.7 percent and 3.0 percent in 2024, reaching 112.1 percent (Afl. 6,817m) and 115.5 percent (Afl. 7,025m) of the 2019 level (6,080m), respectively. Compared to previous projections in May 2023 the 2023 projection is revised upward by 3.6 percentage points (from 10.1 percent to 13.7 percent), driven by a stronger tourism recovery and the progress in large hotel projects (See Table 2, Annex B).



Looking ahead at 2024, the projected GDP increase is 3.0 percent, a decrease from the May 2023 forecast of 1.6 percent (from 4.6 percent to 3.0 percent), attributed to a stronger growth in 2023. In addition, there is a decrease in private investment attributed to uncertainties in mainly large planned hotel projects and a decrease in public consumption after updating for quarter 1 and quarter 2 of public expenditure. (See Table 2, Annex B).

In 2025, the projected nominal GDP is 1.4 percent, approximately 117.2 percent (Afl. 7,126m) of the 2019 level (6,080), once more driven by private investment and the tourism sector (See Graph 1)

Regarding inflation, the baseline forecasts 3.6 percent in 2023, 3.5 percent in 2024, and 2.7 percent in 2025. Factors in 2023 include a 1.0% BBO tax increase, decreased electricity prices, foreign price developments, data updates until October 2023, and the introduction of the BBO tax at the border in August 2023. IMF projects Aruba's inflation at 4.5 percent in 2023, 2.3 percent in 2024, and 2.1 percent in 2025.

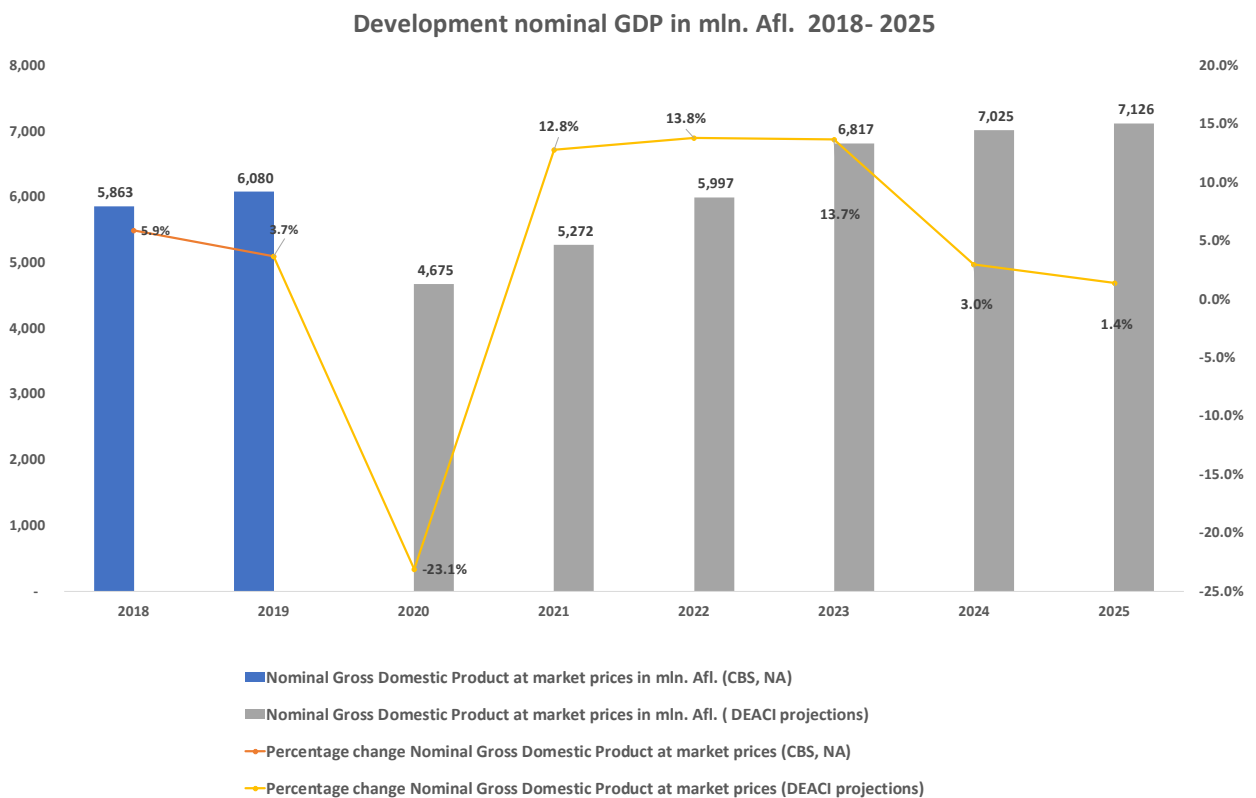
The tourism sector continues to be the main growth driver. Export Tourism is forecasted to grow by 15.9 percent in 2023 (Afl. 4,751m) and 6.6

percent in 2024 (Afl.5,063m), which is 36.2 percent higher and 45.1 percent higher compared to 2019 (Afl. 3,489m). This is attributed to an expected increase in total visitors and their expenditure per night. Total Investments are expected to increase by 39.9 percent in 2023, mainly due to ongoing large hotel projects. Public investment shows an increase, with an additional 25.1 million from the 2023 surplus for the year 2024. For 2024 a growth is expected of 1.8 percent. See Table 2 in Annex B.

Scenarios for 2024 consider the tourism industry's performance, with Scenario A projecting a 3.9 percent nominal GDP growth, and Scenario B expecting a 1.8 percent conservative increase (See Table 5, Annex E).

Finally, the baseline predicts a 4.8 percent increase in real GDP for 2023, with growth in real private consumption, public- and private investments (See Table 6, Annex F).

Graph1: Development nominal GDP (in mln. Afl.) for the years 2018-2025



Source: DEACI, Economic Outlook 2023-2025

Introduction



The Economic Outlook is a product of the Department of Economic, Commerce and Industry (DEACI) and offers insights and predications about the island's economic indicators and growth.

To compile this outlook, data is gathered from various sources, including the Central Bank of Aruba, the Central Bureau of Statistics, and other key institutions as the Department of Finance, the Tax Department, the Aruba Tourism Authority, the Aruba Hotel and Tourism Association, the Aruba Airport Authority, the Social Insurance Bank Aruba, and the Department of Labor and Research. The Commission Macro Model (CMM) evaluates and

agrees on the assumptions and projections.

To have a complete comprehensive picture, DEACI not only relies on data but also interviews organizations to consider their views on Aruba's economic climate. Interviews with organizations provide perspectives on the economic situation, along with details on major investments and risks for upcoming projects.

Chapter 1 outlines the baseline estimates and the forecasts for 2023 and 2024, while chapter 2 presents two scenarios for 2024 based on changes in total stayover visitors. Chapter 3 presents the results of the nominal GDP projections for 2025. Chapter 4 focuses on the real GDP figures for 2022 and 2023, offering a snapshot of economic performance. Risk factors are discussed in chapter 5. In chapter 6 our recommendation is presented and chapter 7 explores the global economy's impact on Aruba. The annexes provide additional details, including tables, graphs, and assumptions of this Economic Outlook.

Chapter 1: Baseline 2023 and 2024

The Economy of Aruba continues to grow as the Tourism sector recuperates completely showing the maturity and resilience of our economy. This creates more possibilities to strengthen the business sector and attract investors to Aruba. The accelerated growth that we have seen in the years 2022 and 2023 come to a more sustained growth in 2024.

While the **nominal GDP** growth rate in 2022 is estimated to rise by 13.8 percent, followed by a slightly slower increase of 13.7 percent in 2023 we note a significant slowdown to 3.0 percent growth in the projection for 2024 (See Table 2, Annex B). The growth rates in 2022 and 2023 are notably high compared to pre-pandemic years, driven primarily by the tourism sector's strong performance.



Stayover- and Cruise visitors

The growth in **Export of Goods and Services (EGS)** is estimated at 14.3 percent in 2023, primarily driven by the increase in tourism and related revenues. This growth represents a 4.3 percentage point increase (from 10.0 percent to 14.3 percent) compared to the last outlook in May 2023. For the year 2024 a 6.0 percent growth is projected (See Table 2, Annex B).

In terms of visitors, both stayover and cruise visitors' projections have been adjusted compared to last projection in May 2023. Stayover visitors are now expected to reach 110.0 percent of the 2019 level in 2023, showing a more optimistic outlook with a 5.0 percentage point increase. This adjustment indicates an anticipation of more stayover tourists. (See Table 3, Annex C).

Cruise visitors, on the other hand, are projected to be at 90.0 percent of the 2019 level in 2023 due to lower-than-expected numbers, but a more positive projection of 117.0 percent is projected for 2024. The adjustment in the 2023 projection is due to fewer cruise visitors than anticipated, mainly because scheduled calls that were canceled. However, the outlook for cruise tourism in 2024 is more positive, driven by increased demand and an expected rise in scheduled calls (See Table 3, Annex C).

Moreover, not only have visitor numbers surpassed 2019 levels, but there are also expectations for Average Daily Rates (ADR) and non-accommodation expenditures to exceed historical averages. **Tourism Export (TE)** is projected to increase by 15.9 percent in 2023 and by 6.6 percent in 2024, surpassing previous projections in May 2023 by 5.7 (from 10.2 percent to 15.9 percent) and 2.2 (from 4.4 percent to 6.6 percent) percentage points (See Table 2, Annex B).

The forecast for ADR indicates a 13.0 percent increase in 2023 compared to 2022, which is a 3.0 percentage point increase from the previous outlook, highlighting the rising demand in the tourism sector. This positive trend in both arrivals and revenue is expected to continue into 2024. In 2024, the ADR is expected to remain at the same level as in 2023 (See Table 3, Annex C).

Overall, these adjustments in this outlook reflects a more positive expectation for both stayover visitors and cruise visitors in 2024, suggesting a favorable outlook for the tourism industry.

Another driver is **Private Investment (PI)**, expected to increase by 39.6 percent (Afl.1,495m) in 2023 in nominal terms, reaching 112.2 percent of the 2019 level (Afl. 1,333m) (See Table 2, Annex B).

The thriving tourism has prompted significant investments in Aruba, with several large construction projects currently underway. This uptick in investment signals the confidence and dedication of stakeholders to the region's economic growth. Large-scale construction projects are often positive indicators of economic vitality and job creation. However, rapid growth in the hotel industry, without a corresponding increase in the local workforce, can pose staffing challenges, such as personnel shortages. This, in turn, may potentially affect the quality of services provided. Additionally, the Aruba Airport Authority is investing in streamlining departure processes to meet the increasing demand. The aim is to ensure smooth departures, provide quality service, and ultimately expand the facilities. Lastly, the tourism sector's upswing will continue to have impact, leading to ongoing economic activities.

In 2024, **Private Investment (PI)** is expected to only grow by 0.2 percent (Afl.1,497m), reaching 112.3 percent of the 2019 level (Afl.1,333m). The ongoing large hotel projects are scheduled to be completed in 2024 and the start of planned ones remain uncertain.

In 2023, **Public Investment (PUBI)** is projected to grow by 64.2 percent compared to 2022. In the year 2024 it is expected to have a further increase of 116.3 percent. This significant growth in 2024 is attributed to the allocation of Afl. 25.1 million from the budget surplus of 2023 (See Table 2, Annex B).

Other economic components are anticipated as follows:

- Overall growth is expected to lead to a 6.8 percent increase in **Private Consumption (PC)** in 2023, which is 0.2 percentage points higher (from 6.6 percent to 6.8 percent) than the previous outlook. In 2024, **PC** is expected to grow by 2.2 percent, which is mainly driven by the growth in the tourism sector (See Table 2, Annex B).
- **PUBC** is projected to increase by 1.3 percent in 2023, 0.7 percentage points lower than the May 2023 outlook, after newly updated information of the 2nd quarter for the government expenditures. In 2024, a 1.4 percent increase is expected, which is 2.7 percentage points lower than the May 2023 outlook (See Table 2, Annex B). This is aligned with the budget of 2024.
- Both **PC** and **PUBC** are expected to contribute to a 5.1 percent increase in **Total Consumption (TC)** in 2023 and 2.0 percent in 2024. (See Table 2, Annex B). This is based on the recovery of the salaries to the pre-pandemic level and the growth in the labor market related to the development of the tourism sector and private investments.

Aruba, being a small island economy heavily reliant on external markets, anticipates a 12.2 percent growth in the **Import of Goods and Services (IGS)** in 2023 and 4.9 percent in 2024 (See Table 2, Annex B). This growth is linked to Total Consumption (TC) and Export of Goods and Services (EGS), highlighting the interconnectedness of Aruba's economy with the global market. The expansion of the IGS sector is driven by the relationship between local consumer spending and tourist spending and demand for imported goods and services, emphasizing the significant impact of Total Consumption and Tourism Export on the demand for imported goods and services (See Table 2, Annex B).

Finally, **inflation** has become a significant focus in recent economic discussions. It refers to the rate at which prices for goods and services rise, impacting purchasing power. As a crucial economic indicator, inflation influences consumer spending, investment, and monetary policy. In terms of inflation, the baseline forecasts an inflation rate of 3.6 percent in 2023 and 3.5 percent in 2024. The factors contributing to the inflation in 2023 include foreign price developments, a 1.0 % increase in the BBO tax, a decrease in electricity prices and the introduction of the BBO tax at the border as per august 2023. For 2024, the inflation is mainly driven by projections in foreign prices. According to the IMF, inflation for Aruba is projected at 4.5 percent in 2023, 2.3 percent in 2024 and 2.1 percent in 2025.

Chapter 2: Scenarios Outlook 2024

In addition to the baseline scenario, two other scenarios are presented for the year 2024. These scenarios are based on developments in the tourism sector. Scenario A represents a positive outlook, while Scenario B represents a more conservative one.

For detailed assumptions related to these scenarios please refer to Table 4, annex D.

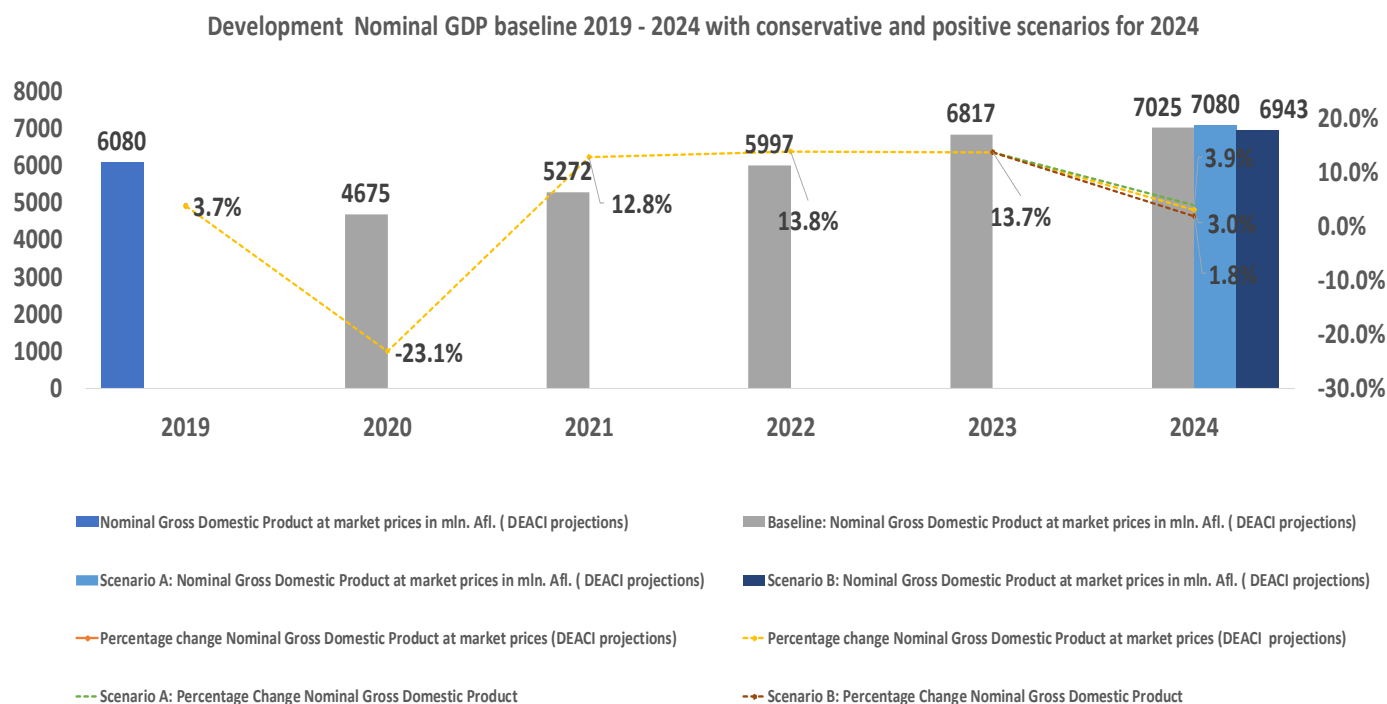
Positive Scenario (Scenario A):

This scenario, anticipates a 3.9 percent increase in **Nominal GDP** compared to 2023, reaching 116.4 percent of the 2019 level (See Table 5, Annex E). The **Export of Goods and Services (EGS)** is expected to increase by 7.4 percent, mainly due to growth in tourism and related revenues. Stayover visitors are projected to increase by 5 percent compared to 2023, reaching 113.0 percent of the 2019 level.

Conservative (Scenario B):

Scenario B, anticipates a slight increase of 1.8 percent in **Nominal GDP** compared to 2023, assuming a no growth in the total stayover visitors compared to 2023. **The Export of Goods and Services (EGS)** is expected to increase by 3.8 percent, mainly due to growth in tourism revenues (See Table 5, Annex E).

Graph 2: Development nominal GDP 2019-2024 (in mln. Afl.), with scenarios for 2024



Source: DEACI, Economic Outlook 2023-2025

Chapter 3: Results Nominal GDP projection 2025 and its main drivers

DEACI's preliminary projections for Aruba's economy for the year 2025 should be approached with caution due to increasing global and regional political uncertainties. Here's a summary of the main drivers (See Table 1).

Nominal Gross Domestic Product is expected to grow by 1.4 percent. This growth is driven by a further increase of:

- 2.1 percent in **Export of Goods and Services**, primarily driven by the tourism sector;
- 2.9 percent in **Private Investment**;
- 2.0 percent in **Private Consumption**.

The Average Daily Rate in tourism is projected to remain the same as 2024.

For 2025, an estimated of 1,293,119 stayover visitors are expected, which is approximately 115.5 percent of the 2019 level. For cruise visitors 876,097 are expected, which is approximately 105.3 percent of the 2019 level. Inflation is anticipated to be 2.7 percent, primarily influenced by projected foreign prices.

Public Investment (PUBI) growth is expected to decrease, which is influenced by the allocation of the surplus for investment in 2023 for 2024.

Table 1: Nominal GDP projection for the year 2025 in % change

Economic Outlook January 2024	
Nominal (in %)	Projection 2025
Inflation (%)	2.7
GDP at market prices (In M. Afls)	7126
GDP at market prices (%)	1.4
Private consumption (%)	2.0
Public consumption (%)	0.2
Total consumption (%)	1.5
Private investments (%)	2.9
Public investments (%)	-55.7
Total investments (%)	1.2
Export Goods and Services (%)	2.1
<i>Export (tourism) (%)</i>	1.6
Import Goods and Services (%)	2.1
Tourism	
Total Stayover Visitors (number *1000)	1293
Total Cruise Passengers (number *1000)	876
Export from Tourism(In M. Afls)	5146

Source: DEACI, Economic Outlook 2023-2025

Chapter 4: The REAL GDP 2022 and 2023

Due to global factors such as the repercussions of COVID-19 the Russian invasion of Ukraine and further risk related to the tensions in the Middle East, there has been a widespread increase in food and energy costs, contributing to global inflation. This surge in inflation, particularly impacting Aruba, underscores the heightened necessity for the Department of Economic Affairs, Commerce, and Industry (DEACI) to disseminate **Real Gross Domestic Product (real GDP)** data.

In the latest outlook published in May 2023, DEACI presented the GDP figures in real terms. It's important to note that DEACI is currently awaiting the official deflators from the National Accounts to further enhance the accuracy of the data.

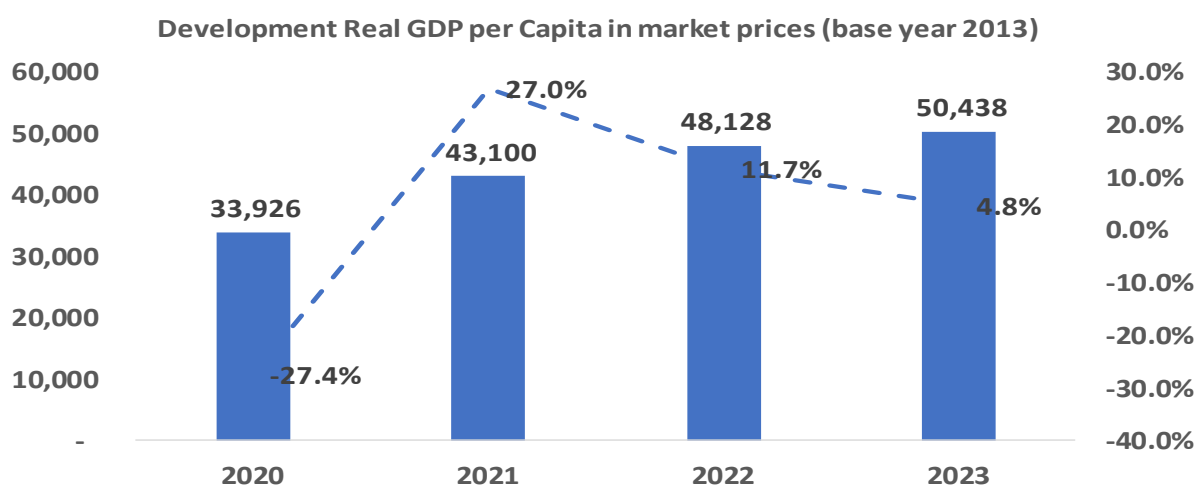
Table 6 in Annex F illustrates that the estimated growth of real GDP and its components is lower than in nominal terms. This is mainly attributed to elevated inflation levels for the years 2022 and 2023.

Real GDP is estimated to increase by 11.6 percent in 2022 and 4.8 percent in 2023. The positive growth in 2022 and 2023 is linked to an expected increase in the performance of the tourism sector showing positive developments in both years. The growth in **TI** is driven by the big private investments, especially in the hotel sector.

In 2022, a slight decline is observed for **PC**, indicating an estimated loss of purchasing power among consumers. However, in 2023, a 3.1 percent increase is expected. Subsequently, real figures show an estimated increase in the **IGS**, attributed to growing volume related to demand in the tourism industry in both years and an additional increase for **PC** in 2023.

Finally, **GDP per Capita** in real terms is projected to grow by 11.7 percent in 2022 and 4.8 percent in 2023. Graph 3 illustrates the estimated real GDP per Capita in Afl. development since 2020.

Graph 3: Development Real GDP per Capita in market prices in (Afl.) for the years 2020-2023



Source: DEACI, Economic Outlook 2023-2025

Chapter 5: Risk factors for outlook 2023, 2024 and 2025

The outlook for any economy is subject to various risks that can affect its growth trajectory and stability. One of the key risks that can affect our economic outlook is high transportation costs. Additionally, various other factors may influence the projections presented in this document.

Limited institutional capacity and scarce financial resources:

Due to the limited institutional capacity and scarce financial resources there can be constraints in navigating economic challenges like reduced ability to implement relevant policies, invest in necessary infrastructure, or promptly address emerging economic issues.



High degree of vulnerability to system shocks

Aruba is highly susceptible to broad economic crisis or global events. The ongoing war in Ukraine between Russia that began in February 2022, resulting in higher global inflation, slowdown in China's supply chain (still an after-effect of the COVID-19 pandemic), increased energy costs, disrupted trade, have had a major impact on world economies, including Aruba. Relying heavily on a single industry, such as tourism, can make an economy vulnerable to external shocks and fluctuations in the global tourism market. Diversifying the economy is a long-term strategy to reduce this vulnerability.

Inflationary Pressures and fiscal reforms

Inflationary pressures will increase costs and reduce purchasing power, affecting consumer spending and business profitability. Regarding fiscal reforms, there remains uncertainty about the specific fiscal reforms to be implemented in upcoming years. Consequently, it is unclear how these reforms might impact private consumption and investment. A clear government communication strategy that provides explanations of the changes and the main objective to be achieved, especially to companies and also to the citizens is important for the comprehension and smooth implementation of the different policies to be implemented.

Geo-political tension

Geopolitical tensions and conflicts in the Middle East can significantly affect oil prices, which in turn can impact global economic growth. The Middle East is a crucial region for oil production, and any escalation of conflicts there often leads to concerns about oil supply disruptions. These concerns tend to drive up oil prices due to the potential risk to oil production or transportation routes.

When oil prices rise, it affects various sectors of the global economy. Higher oil prices can increase production costs for businesses, leading to increased prices for goods and services. Additionally, consumers often face higher costs for fuel, which can reduce disposable income available for other

spending. This situation can consequently slow down economic growth in countries highly dependent on oil imports or those with high energy consumption. Therefore, any escalation of conflicts in the Middle East has the potential to create uncertainty and volatility in oil markets, impacting global economic stability and growth.

Regional tensions in neighboring countries

Aruba's economy heavily relies on tourism and trade. Economic tensions or disruptions in the neighboring regions, especially in South America, can impact tourism flows or trade relationships with those countries. In addition, the perception of safety and stability due these tensions in the wider Caribbean region could influence tourists' decisions to visit.

Carrying Capacity and Environmental Challenges

The challenges faced by Aruba concerning its delicate ecosystems and the sustainability of its tourism industry are indeed complex. Most tourists come to Aruba for the beautiful nature that Aruba has to offer like white beaches sunny days etc. The environmental degradation caused by overcrowding and insufficient infrastructure can lead to the depletion of natural resources, degradation of ecosystems, and a decline in the quality of the visitor experience. Additionally, the continuous growth of the tourism sector, coupled with a shortage of personnel, poses significant challenges for maintaining both environmental preservation and visitor satisfaction.

Competitive Challenges

As mentioned, if Aruba prices its services too high without offering corresponding value, it risks losing tourists to other Caribbean destinations that provide better value for their money. In today's competitive tourism market, where travelers seek destinations that offer a balance between cost and quality experiences, this could significantly impact Aruba's tourism industry. As a result of increased competition from other destinations or businesses can impact the Aruban market share and the profitability. Subsequently, rival destinations may offer more attractive incentives, competitive pricing, or unique attractions, influencing travelers' choices. To thrive, Aruba must swiftly adapt by enhancing services, innovating, and ensuring a compelling overall experience for visitors. Failing to meet these challenges could lead to a decline in Aruba's market share and financial performance within the competitive tourism landscape.

Chapter 6: Recommendation

Balancing economic growth with environmental sustainability, diversifying the economy, managing competitive challenges, and dealing with overcrowding are crucial aspects for sustained economic development. Strategies focusing on sustainable practices, economic diversification, clear communication regarding fiscal reforms, and managing visitor capacity are essential to navigate these challenges effectively.

By fostering collaboration and a shared vision among different sectors, Aruba can progress toward sustainable growth, ensuring economic development while preserving its unique environment and cultural heritage for future generations.

Diversifying the economy is indeed crucial for Aruba to mitigate the risks associated with dependency on a single sector, particularly tourism, and to reduce vulnerability to external shocks. Even with limited financial resources, pursuing diversification can be challenging, but it's essential for long-term sustainability.

While diversification may present challenges, taking incremental steps and fostering a supportive ecosystem for emerging industries can gradually contribute to a more balanced and resilient economy for Aruba. Collaboration, adaptability, and a long-term vision will be key in this endeavor. Investing some of the resources produced by the tourism industry in developing and attracting new sustainable industries to Aruba will be one of the most important steps in the coming years.

In light of the economic challenges faced by Aruba, especially in the aftermath of the COVID-19 economic shock, it becomes imperative to formulate contingency plans and policies. These measures are essential to minimize the repercussions of global crises or unforeseen events, bolstering the island's preparedness and resilience against future external shocks.

Chapter 7: Global Economy



According to the International Monetary Fund's World Economic Outlook (WEO) for October 2023. Global GDP growth is projected to be 3.0 percent in 2023. This is followed by a 2.9 percent increase in 2024. In 2025, the projected global GDP growth is 3.2 percent.

This data indicates a slowdown in the pace of global economic expansion compared to previous years. It's important to note that the projected global economy's growth falls below the historical average observed between 2000 to 2019, which was 3.8 percent.

The global economic growth did not meet expectations compared to the last IMF outlook in April 2023. Economic growth varies among nations. Several factors contribute to this lower growth, including the long-term consequences of the pandemic, geopolitical issues such as the conflicts between Hamas and Israel and Ukraine and Russia, the impact of monetary policies to combat rising inflation, and extreme weather events that have hindered global economic growth.

Global Inflation

The forecast for global inflation indicates a decline from 8.7 percent in 2022 to 6.9 percent in 2023 and further down to 5.8 percent in 2024. This is mainly attributed to tighter monetary policy and decreasing international commodity prices.

The Central banks are addressing inflation by using monetary policy to achieve price stability.

Due to the interconnectedness of nations, disruptions in supply chains and events like the Ukrainian war will impact all nations, particularly affecting low-income communities.

According to the IMF, world inflation is projected at 6.9 percent in 2023, 5.8 percent in 2024 and 4.6 percent in 2025 (WEO, October 2023).

Specifically:

The U.S. inflation is expected to be 4.1 percent in 2023, 2.8 percent in 2024, and 2.4 percent in 2025 (WEO, October 2023).

The Netherlands inflation is projected at 4.0 percent in 2023, 4.2 percent in 2024, and 2.2 percent in 2025 (WEO, October 2023).

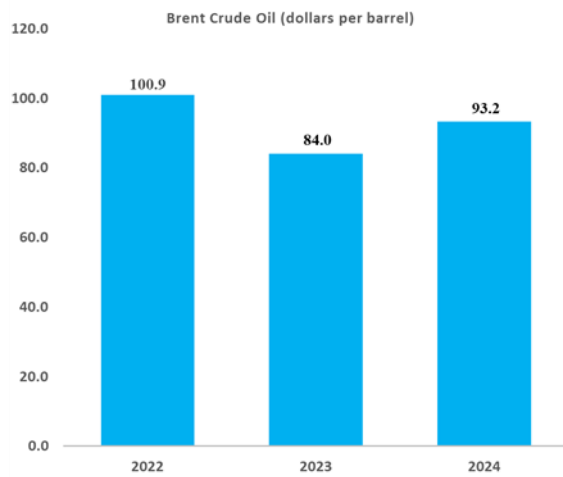
- Latin America and the Caribbean inflation is anticipated to be 13.8 percent in 2023, 10.7 percent in 2024, and 7.3 percent in 2025 (WEO, October 2023).



- Aruba's inflation is projected at 4.5 percent in 2023 and 2.3 percent in 2024 and 2.1 percent in 2025 (WEO, October 2023).

Oil Prices

Graph 4: Brent crude oil development



Based on the U.S. EIA's Short-Term Energy Outlook for November 2023, the data for Brent Crude Oil prices indicates the following:

- In 2022, the price per barrel was \$100.9;
- The projection for 2023 is a price of \$84.0 per barrel;
- For 2024, the expected price per barrel is \$93.2.

The global oil supply is expected to maintain its balance. Although the Israel and HAMAS can have a negative impact on the supply of oil.



Annexes

Annex A: CARTAC and the MARUBA Model

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 was held by The Caribbean Regional Technical Assistance Centre (CARTAC), following two Technical Assistance missions in 2020. CARTAC is one of ten IMF Regional Technical assistance Centers (RTACs) located around the world, serving regions such as the Pacific, the Caribbean, Africa, the Middle East, India, and Central America. These Centers were created to help countries strengthen human and institutional capacity to design and implement sound macroeconomic policies that promote growth and reduce poverty.

The objective of CARTAC ‘s mission with Aruba 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.

Annex B: Economic Outlook 2023- 2025, January 2024

Table 2: Economic Outlook in nominal terms 2022 - 2024

Economic Outlook May 2023				Economic Outlook January 2024		
Nominal (in %)	Estimate 2022	Estimate 2023	Projection 2024	Estimate 2022	Estimate 2023	Projection 2024
Inflation (%)	5.5	4.4	3.2	5.5	3.6	3.5
GDP at market prices (In M. Afls)	5927	6526	6828	5997	6817	7025
GDP at market prices (%)	11.4	10.1	4.6	13.8	13.7	3.0
Private consumption (%)	3.2	6.6	0.8	5.2	6.8	2.2
Public consumption (%)	4.2	2.0	4.1	5.5	1.3	1.4
Total consumption (%)	3.5	5.2	1.8	5.3	5.1	2.0
Private investments (%)	14.2	28.5	5.9	14.2	39.6	0.2
Public investments (%)	-18.6	57.5	0.0	-18.6	64.2	116.3
Total investments (%)	13.7	28.8	5.8	13.7	39.9	1.8
Export Goods and Services (%)	35.4	10.0	4.4	38.3	14.3	6.0
<i>Export (tourism) (%)</i>	38.9	10.2	4.4	40.0	15.9	6.6
Import Goods and Services (%)	26.6	9.7	2.2	28.4	12.2	4.9
Tourism						
Total Stayover Visitors (number *1000)	1101	1175	1198	1101	1231	1268
Total Cruise Passengers (number *1000)	610	832	832	610	749	876
Export from Tourism(In M. Afls)	4415	4865	5081	4099	4751	5063

Source: DEACI, Economic Outlook 2023-2025

Annex C: Assumptions Outlook 2023 - 2025

Table 3: Baseline assumptions for the Economic Outlook 2023- 2025

	Baseline Assumptions 2023-2024				Baseline Assumptions 2025
	2023- Baseline Outlook May 2023	2024- Baseline Outlook May 2023	2023- Baseline Outlook January 2024	2024- Baseline Outlook January 2024	2025- Baseline Outlook January 2024
Stayover Visitors	105% (2023 vs 2019) 1,174,891 visitors	102% (2024 vs 2023) 1,198,389 visitors	110% (2023 vs 2019) 1,230,838 visitors	103% (2024 vs 2023) 1,267,764 visitors	102% (2025 vs 2024) 1,293,119 visitors
Cruise Visitors	100% level (2023 vs 2019) 832,001 visitors	100% level (2023 vs 2019) 832,001 visitors	90% level (2023 vs 2019) 748,801 visitors	117% (2024 vs 2023) 876, 097 visitors	2025 same as 2024 876, 097 visitors
Ad-Hoc Investments	Calculation with a 50% risk factor for planned project that as per 2022 didn't start constructing yet	Calculation with a 50% risk factor for planned project that as per 2022 didn't start constructing yet and for ongoing projects no risk factor	Ongoing projects	Ongoing projects and planned projects	Ongoing projects and planned projects with a 50% risk factor
Average Daily Rate Expenditure non- Accomodation Stayover	ADR +10.0 % 2023 vs 2022 Exp. Non accommodation aligned with pre-COVID -19 level average growth trend	Same level as 2023 Exp. Non accommodation aligned with pre-COVID - 19 level average growth trend	ADR +13.0 % 2023 vs 2022 Exp. Non accommodation calculated based on realised data Q1 and Q2	ADR 2024 same as 2023 Exp. Non accommodation based on US real GDP growth	ADR 2025 same as 2024 Exp. Non accommodation based on US real GDP growth
Government Expenditure	Multi annual budget	MARUBA-model calculation	Based on realised data Q1 and Q2	Multi annual budget	Multi annual budget
Labor Market	Labor market will grow with tourism and investments development. Average wages will grow with the wage rate.	Labor market will grow with tourism and investments development. Average wages will grow with the wage rate.	Labor market (private sector) will grow with 4% based on realised SVB data . Average wages will grow with the wage rate.	Labor market will grow with tourism development. Average wages will grow with the wage rate.	Labor market will grow with tourism development. Average wages will grow with the wage rate.

Source: DEACI, Economic Outlook 2023-2025

Annex D: Assumptions scenario A and scenario B for the year 2024

Table 4: Baseline assumptions for the Economic Outlook 2023- 2025

	Scenario A: Optimistic	Scenario B: Conservative
	Projection 2024	Projection 2024
Inflation	3.5	3.5
Stayover Visitors	5.0 % growth (2024 vs 2023)	same level (2024 vs 2023)
Cruise Visitors	117% (2024 vs 2023) 876,097	117% (2024 vs 2023) 876,097

Source: DEACI, Economic Outlook 2023-2025

Annex E: Economic Outlook 2024 scenario A and scenario B

Table 5: Economic Outlook 2023- 2025, scenario A and scenario B for 2024

Economic Outlook January 2024				Scenario A: Optimistic	Scenario B: Conservative
Nominal (in %)	Estimate 2022	Estimate 2023	Projection 2024	Projection 2024	Projection 2024
Inflation (%)	5.5	3.6	3.5	3.5	3.5
GDP at market prices (In M. Afls)	5997	6817	7025	7080	6943
GDP at market prices (%)	13.8	13.7	3.0	3.9	1.8
Private consumption (%)	5.2	6.8	2.2	2.2	2.1
Public consumption (%)	5.5	1.3	1.4	1.4	1.4
Total consumption (%)	5.3	5.1	2.0	2.0	1.9
Private investments (%)	14.2	39.6	0.2	0.2	0.2
Public investments (%)	-18.6	64.2	116.3	116.3	116.3
Total investments (%)	13.7	39.9	1.8	1.8	1.8
Exports Goods and Services (%)	38.3	14.3	6.0	7.4	3.8
<i>Export (tourism) (%)</i>	40.0	15.9	6.6	8.4	3.8
Imports Goods and Services (%)	28.4	12.2	4.9	5.5	4.0
Tourism					
Total Stayover Visitors (number *1000)	1101	1231	1268	1292	1231
Total Cruise Passengers (number *1000)	610	749	876	876	876
Export from Tourism(In M. Afls)	4099	4751	5063	5150	4751

Source: DEACI, Economic Outlook 2023-2025

Annex F: Economic Outlook 2023- 2025, Real GDP

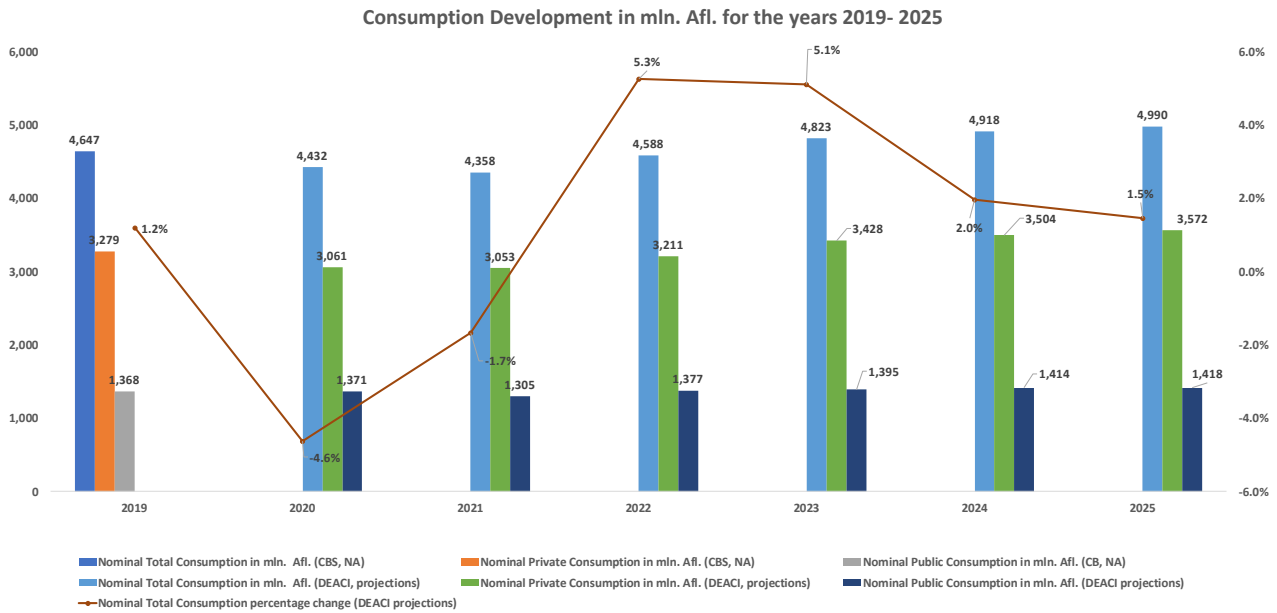
Table 6: Economic Outlook 2023- 2025, Real GDP and its main indicators

Economic Outlook January 2024		
	Estimate 2022	Projection 2023
	<i>Real</i>	<i>Real</i>
GDP	11.6	4.8
Private consumption (%)	-0.3	3.1
Public consumption (%)	4.2	-2.6
Total consumption (%)	0.7	1.7
Private investments (%)	7.3	34.5
Public investments (%)	-23.5	58.1
Total investments (%)	6.8	34.8
Export Goods and Services (%)	52.7	6.1
<i>Export (tourism) (%)</i>	25.7	6.2
Imports Goods and Services (%)	14.1	10.1

Source: DEACI, Economic Outlook 2023-2025

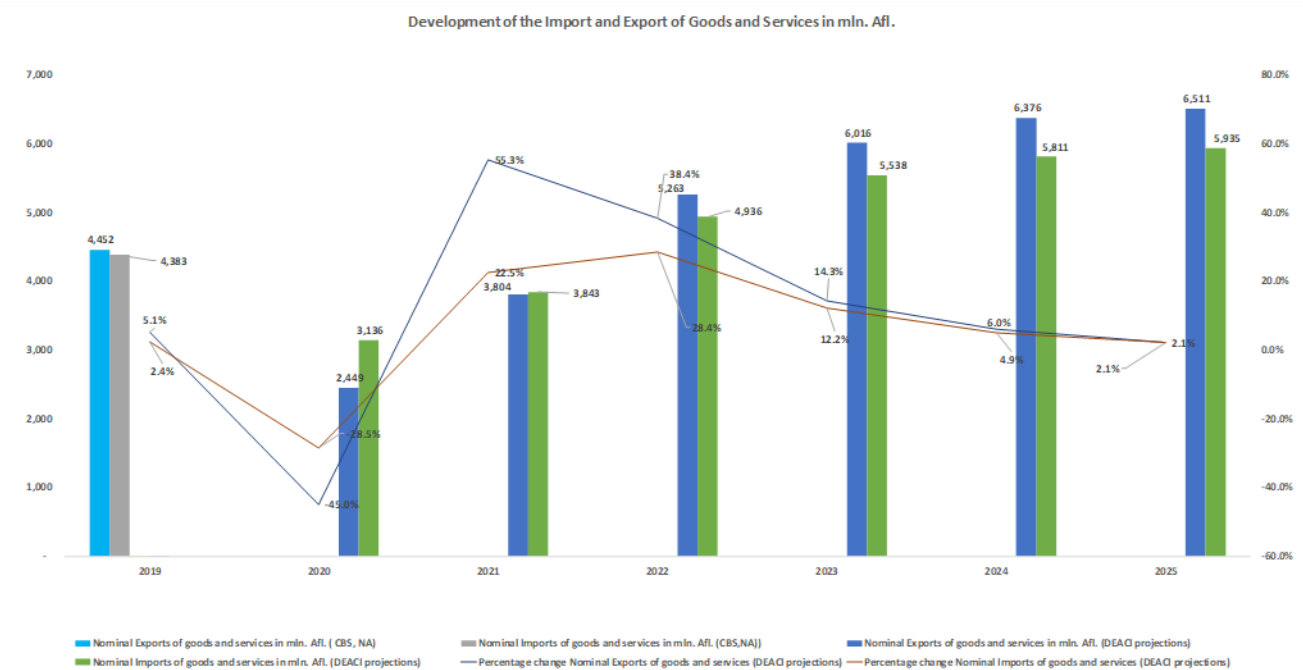
Annex G: Graphs

Graph 5: Consumption development 2019 - 2025 in mln. and in % change



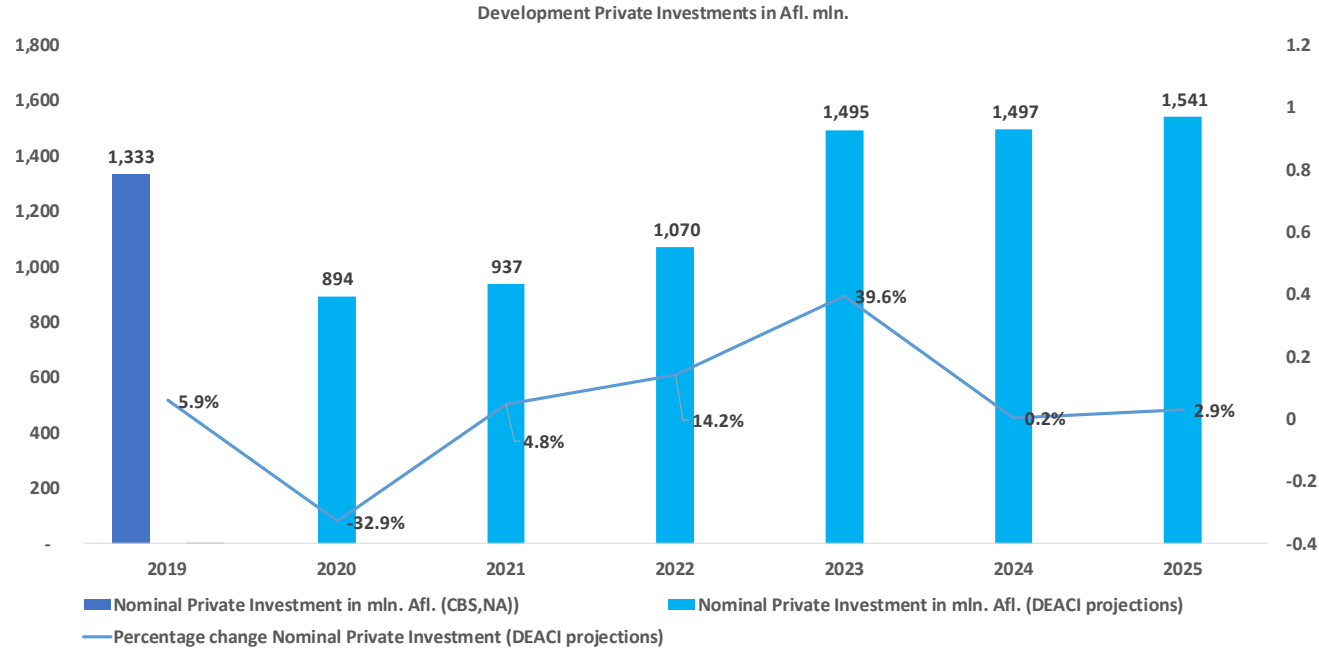
Source: DEACI, Economic Outlook 2023-2025

Graph 6: Export and Import development 2019 - 2025 in mln. and in % change



Source: DEACI, Economic Outlook 2023-2025

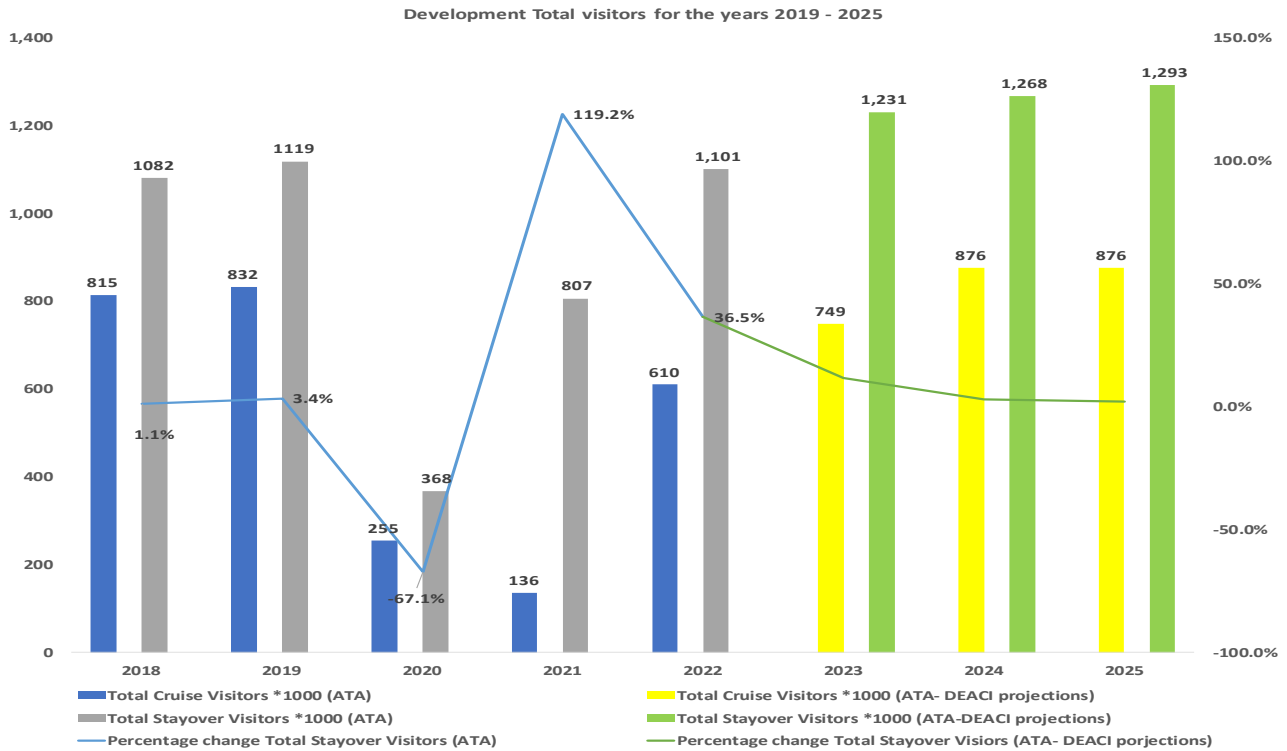
Graph 7: Private Investment development 2019 - 2025 in mln. and in % change



Source: DEACI, Economic Outlook 2023-2025

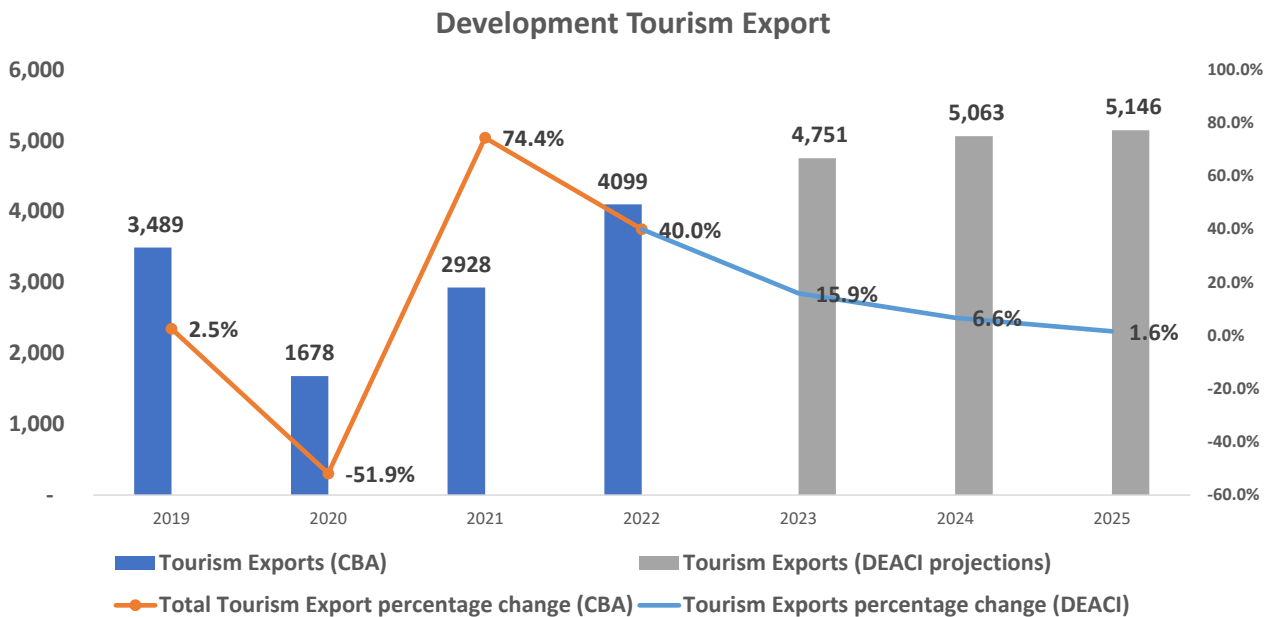
Tourism Indicators

Graph 8: Total Visitors development in mln. and in % change



Source: DEACI, Economic Outlook 2023-2025

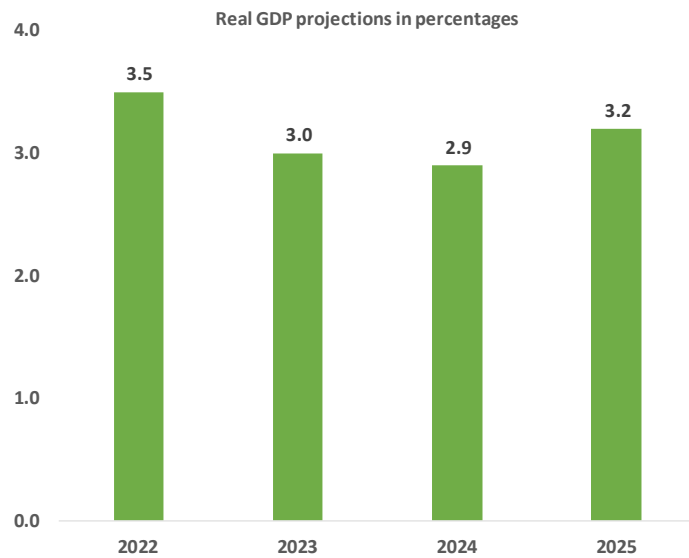
Graph 9: Tourism Export development in mln. and in % change



Source: DEACI, Economic Outlook 2023-2025

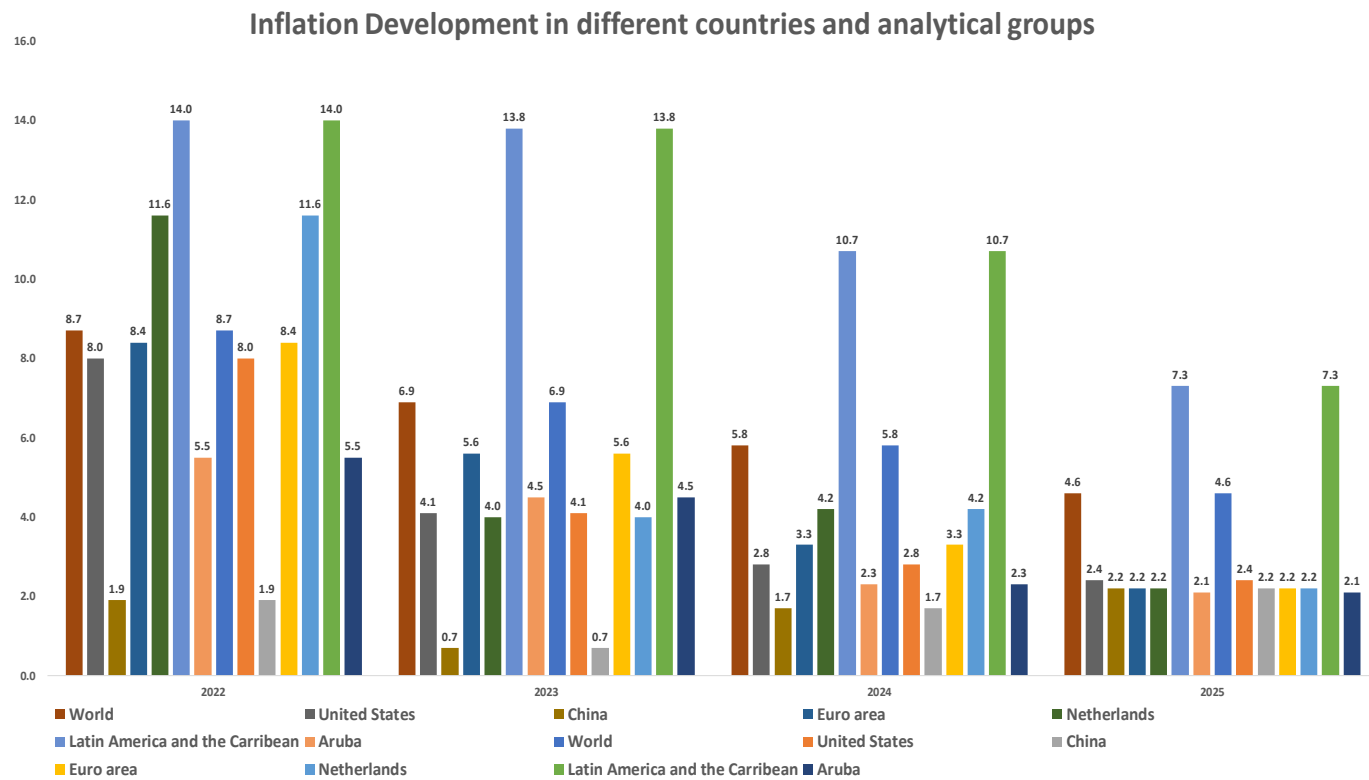
Graphs of chapter 7: Global Economy

Graph 10: Real world GDP projections in % change



IMF, Economic Outlook October 2023

Graph 11: Inflation projection in % change



IMF, Economic Outlook October 2023