

# Economic Outlook 2024 - 2025

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**April 2024**

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**Department of Economic Affairs, Commerce and Industry**



# Disclaimer

The Department of Economic Affairs, Commerce and Industry is cautious with the estimation for 2023 and projections for 2024 and 2025 due to continuous international economic developments and growing uncertainties from global tensions. Therefore, these estimates should be regarded as preliminary and used with care.



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# List of Abbreviations

*Abbreviation Explanation*

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

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# Executive summary

## Aruba's Economic Outlook: Navigating Uncertainties

As we look to the years ahead, the Department of Economic Affairs, Commerce, and Industry in Aruba is cautious in its projections amidst the challenges in the global economy. While our island continues its post-pandemic growth trajectory, we must remain vigilant, especially in light of inflationary pressures, investment opportunities in the region and global political tensions.

## A Look Back

The years 2022 and 2023 have been marked by exceptional economic growth, highlighting the resilience of Aruba's economy and its vital tourism sector. However, it is essential to recognize that over-reliance on tourism is no longer sustainable for long-term prosperity.

## Nominal and Real Gross Domestic Product growth

Comparing 2022 to 2023, we saw a significant increase in the nominal Gross Domestic Product (GDP), with the latter experiencing a 13.7 percent growth, as estimated in January 2024. The nominal Gross Domestic Product in 2023 (Afl. 6,829m) is expected at 112.3 percent compared to the level of 2019 (Afl. 6,080m) (See Graph 1).

In 2024, the GDP is expected to rise by 8.5 percent, followed by a more moderate growth of 1.3 percent in 2025 (See Graph 1). It is expected that the nominal Gross Domestic Product for 2024 (Afl. 7,408m) will be at 121.8 percent of the level of 2019 (Afl. 6,080m), while the nominal Gross Domestic Product in 2025 (Afl.



7,504m) will be at 123.4 percent of the level of 2019.

Compared to the forecast of January 2024, the year 2024 shows an increase of 5.5 percentage points (from 3.0 percent to 8.5 percent), which is mainly influenced by Total Investments (private and public), the projected tourism growth and Private Consumption as a result of both investments and tourism growth. For the year 2025, compared to the forecast of January 2024, a decrease of -0.1 percentage points (from 1.4 percent to 1.3 percent) is expected. This decrease is influenced by an increase in Private Investments projected for 2024 compared to the last projection, with a big investment in a hotel project in San Nicolas for this year (See Annex B)

Real Gross Domestic Product is projected to grow by 4.8 percent in 2023 and by 3.9 percent in 2024. Growth in real terms is expected for all macroeconomic indicators in both 2023 and 2024, indicating a potential economic advancement in last and this upcoming year (See Table 2).

## **Inflation Concerns**

Inflation remains a concern, with forecasts indicating rates of 3.1 percent in 2024 and 2.5 percent in 2025 (See Annex B). Factors such as global price trends influence these projections, thus emphasizing the need for careful fiscal management. Important to mention are the global political tensions that can pose significant risks for inflation in the upcoming years. Disruption in the normal flow of goods, services, and capital across borders can lead to inflationary pressures such as supply chain disruptions, commodity price volatility and currency fluctuations that can affect prices of imported goods and services.

According to IMF, the inflation for Aruba is projected at 2.3 percent in 2024 and 1.8 percent in 2025 (WEO, April 2024).

## **Tourism's Vital Role**

While tourism remains a primary driver of growth, efforts are being made by the government to diversify. Export tourism is forecasted to grow significantly in the coming years, contributing to overall economic growth. The growth in the Export Tourism is forecasted in 2024 at 14.0 percent which is 53.2 percent higher compared to 2019. Compared to the previous forecast in January 2024, Export Tourism in 2024 is estimated higher (+7.4 percentage points), due to a higher projected tourism growth in total stay-over visitors arrivals (from 3.0 percent to 12.0 percent). For 2025, an Export Tourism growth is forecasted at 2.5 percent, which is 57.0 percent higher compared to 2019 (See Annex B).

## **Investment Strategies**

Total Investments are expected to increase by 39.0 percent in 2023, primarily driven by large-scale hotel projects that accelerated in the post-pandemic years. In 2024 total investment is

expected to increase by 11.7 percent with a rise in public investment. Surplus funds is being allocated for public investments, while private investments in another large-scale hotel project is planned to continue and finished end of 2024 after being halted. For 2025 a decline of 5.8 percent is expected. This is due the uncertainties surrounding planned private investments for upcoming years and public investments that goes from an extra investment originating from a surplus in 2023 to a budgeted investment of Afl. 30 million for the year 2025 (See Annex B).

## **Scenarios 2025**

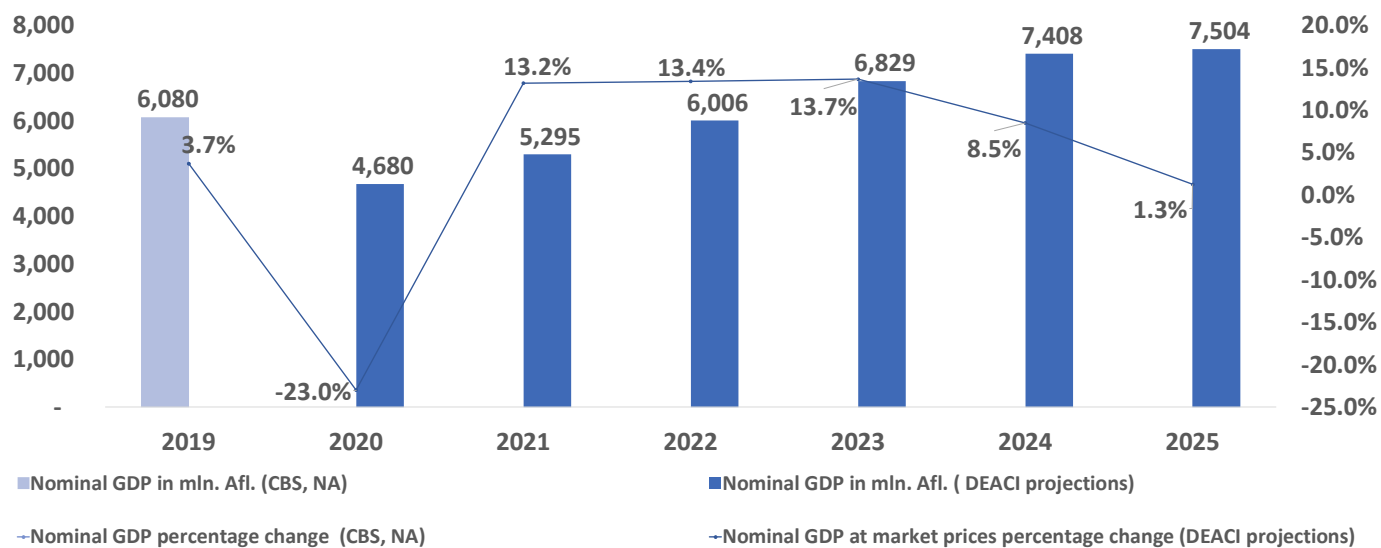
The scenarios for 2025 offer contrasting visions of the future economic landscape. Scenario A represents an optimistic outlook, characterized by strong growth driven by a thriving tourism sector and a growth in private investments. As a result, nominal GDP is projected to increase by 3.5 percent, indicating a positive economic performance (See Annex D and E).

Conversely, Scenario B takes a more cautious stance, foreseeing challenges stemming from geopolitical uncertainties and setbacks in planned investments and tourism. As a result, nominal GDP is projected to decline by 0.9 percent, reflecting the more subdued economic outlook (See Annex D and E).

These scenarios provide valuable insights for policymakers and businesses to navigate the uncertainties and possibilities that lie ahead in the dynamic global and local economy of 2025.

Aruba's economic journey is one of resilience and adaptability. While challenges persist, strategic planning and prudent decision-making will need to guide the island its economy. By fostering diversification, strengthening investments, and promoting sustainable growth, we could secure a prosperous future for all Arubans.

Graph 1: Development nominal GDP in mln. Afl. for the years 2019 – 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024



# Introduction

The Economic Outlook is a product of the Department of Economic Affairs, 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 presents the Economic developments in 2023, chapter 2 outlines the baseline forecasts for the years 2024 and 2025, while chapter 3 presents two scenarios for 2025 based on changes in total stayover visitors, cruise visitors and investment. Chapter 4 focuses on the real GDP figures for 2023 and 2024, 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. The annexes provide additional details, including tables, graphs, and assumptions of this Economic Outlook.



# Chapter 1. Economic developments in 2023

## **Economic Resilience and Growth: Aruba's Tourism-Led recovery**

This Economic Outlook provides an updated perspective on Aruba's economic trajectory, building upon the projections published by the Department of Economic Affairs, Commerce, and Industry (DEACI) in January 2024. Following the disruptive impact of the global pandemic, Aruba's tourism sector has stood out as a pillar of resilience, injecting renewed vigor into the economy. The years 2022 and 2023 witnessed a remarkable surge in economic activity, underscoring the crucial role played by tourism and the tourism related investments in driving Aruba's recovery.



## **GDP Growth Dynamics**

Comparing 2023 to the preceding year, we observe a significant increase of 13.7 percent in nominal GDP, as illustrated in Graph 1. The nominal GDP in 2023 is estimated at Afl. 6,829, representing a 112.3 percent increase compared to the pre-pandemic level of Afl. 6,080m in 2019. Detailed figures for the baseline estimates of 2023 are shown in Table 3 in Annex B.

This growth is primarily driven by Private Investments and the positive performance of the tourism sector. Notably, Private Investments, particularly in the hotel construction segment, have been crucial in stimulating economic growth. The resumption of projects previously stalled during the pandemic has stimulated renewed momentum into the economy.

## **Components Driving Growth**

A key driver of GDP growth is the remarkable resurgence in Private Investment (PI), driven by construction activities within the hospitality sector. These investments not only create employment opportunities but also contribute significantly to overall economic output.

Furthermore, the nominal Export Tourism (ET) which is equivalent to tourism revenue shows a growth of 13.9 percent in 2023 compared to the preceding year, signaling a continues growth in tourist arrivals and expenditure. This rise in ET is attributed to two main factors: an increase in the Average Daily Rate (ADR) of accommodations and an increase in visitor numbers. The increase in stayover visitor numbers by 13.0 percent in 2023 compared to 2022 has been a key factor in advancing and promoting the export-oriented tourism industry of our island.

### **Consumption Trend**

Total Consumption (TC) shows a growth of 4.8 percent in 2023 which is underpinned by several factors. The recovery of average wages in the private sector to pre-pandemic levels have strengthened consumer spending. In addition, adjustments made by the government in the pandemic years in public sector wages have been withdrawn resulting in contributing to the growth of TC.

### **Import Dynamic**

In contrast to other components, the nominal Import of Goods and Services (IGS) is projected to register an increase of 9.2 percent compared to 2022. While an increase in imports may indicate positive economic growth and recovery, it is crucial to keep aware of the global dynamics like trade tensions, supply chain disruptions, and geopolitical tensions. This could lead to local prices increase of goods and services in the years ahead. In addition in August 2023, turnover tax at the border was implemented which has also been considered in this outlook.

In conclusion, Aruba's economic outlook remains promising, driven by the resilience of its tourism industry and strategic investments. As the nation continues to navigate through post-pandemic challenges, leveraging the strengths of the tourism sector will be crucial in sustaining growth and fostering economic prosperity.

# Chapter 2: Baseline 2024 and 2025

## Baseline 2024 and 2025

In the Aruban economy, growth maintains its steady pace, with nominal GDP expected to rise by 8.5 percent in 2024 and 1.3 percent in 2025. The island's economic momentum continues, with projections pointing to a GDP of Afl. 7,408 million in 2024 and Afl. 7,504 million in 2025, reaching 121.8 percent and 123.4 percent of the 2019 levels, respectively. See graph 1 and Annex B, Table 3.



## Export Growth

Aruba is witnessing a remarkable increase in the number of visitors arriving on the island. Aruba's tourism industry is standing out and setting new records. Projected increases in Tourist Stayover Visitors (TSV) and Total Cruise Visitors (TCV) is driving the industry forward, with 2024 projections reaching 1,392,781 TSV (124.5 percent of 2019 levels) and 870,819 TCV (104.7 percent of 2019 levels), respectively.

In 2025, TSV and TCV are set to reach a total of 1,420,636 (127.0 percent of 2019 levels) and 879,527 (105.8 percent of 2019 levels), respectively.

For the Tourist Stayover Visitors a growth of 12.0 percent is projected (ATA, March 2024) and 6.5 percent for Total Cruise Visitors compared to the year 2023. For the year 2025 a growth of 2.0 percent in stayover visitors is projected (ATA, March 2024) and for the Total Cruise Visitors 1.0 percent (APA, March 2024) compared to the year 2024. The projected 1.0 percent growth is attributed to uncertainties stemming from the planned increase in passenger fees for cruise visitors to Aruba in upcoming year. See Annex F, Tourism Indicators, graph 8.

## Increase in Tourist Spending

Aruba's tourism landscape is currently witnessing a spending spree, characterized by a notable increase both in the quantity and in the average spending per tourist per night. These have been gradually increasing compared to pre pandemic years. Projections indicate that tourism revenue (ET) is set to grow by 14.0 percent in 2024, followed by a growth of 2.5 percent in 2025. See Annex F, Tourism Indicators, graph 9. This surge in spending not only injects vitality into the economy but also catalyzes investment across various sectors. Regarding Average Daily Rate (ADR) an increase by 5.0 percent is projected in 2024 and for 2025 the assumption is that the average rate charged for a hotel room per day will stay the same as it was in 2024.

The increase in tourist spending in Aruba is driven by a deliberate shift within the hotel sector towards targeting higher-end tourism, focusing on exclusivity rather than mass appeal. This strategic move to increase ADR in the hotel sector aims to target high-end tourism rather than solely prioritizing occupancy

rates. This approach is necessary to offset the impact of labor shortages, as accommodating high volumes of tourists with reduced staff would compromise service quality. As tourists continue to spend on accommodations, activities and dining, the resulting economic ripple effect drives growth and prosperity across all sectors.

### **Investments**

The economic growth of Aruba is being supported by the progress made in both the private and public sectors regarding investments. Private Investment (PI) is expected to increase by 9.8 percent in 2024, driven by resurgent projects and large-scale developments, particularly in the hotel sector. However, a potential decline of 5.1 percent is anticipated in 2025. See Annex F, graph 7.

Meanwhile, Public Investment (PUBI) is forecasted to increase by 219.3 percent in 2024, due to a financial surplus of the government budget in 2023, which 50.0 percent of the amount has been utilized for investment purposes.

Total Investment (TI) in 2025 is being impacted by the uncertainties regarding planned private projects especially in the hotel sector. Regarding PUBI, the policy aims to gradually raise the investment budget annually. A projected public investment of 30 million is expected for 2025. The decision will take place in the coming month.

### **Consumption Patterns**

Consumer spending contributes to ongoing economic growth. Total Consumption (TC) is set to grow by 3.6 percent in 2024 and 1.2 percent in 2025, driven by Private Consumption (PC) growth of 4.5 percent and 1.6 percent in the respective years. Public Consumption (PUBC) is projected to grow by 1.5 percent in 2024 and by 0.3 percent in 2025, contributing to an overall economic resilience. See Annex F, graph 5.

### **Import Growth**

Aruba's import-intensive economy is forecasted to grow by 8.8 percent in 2024, followed by a 0.6 percent increase in 2025. The growth in 2024 is mostly driven by the combination of the private investment growth and the tourism growth. For 2025 until now, the tourism growth is projected to have a small increase and for private investments a decline which explains this small increase in the Imports of Goods and Services. See Annex F, graph 6.

### **GDP per Capita:**

The per capita Gross Domestic Product (GDP) represents the average income earned by individuals within a country. The GDP per Capita for Aruba is projected to increase by 7.5 percent in 2024 and by 0.4 percent in 2025. See graph 3 for the year 2024.



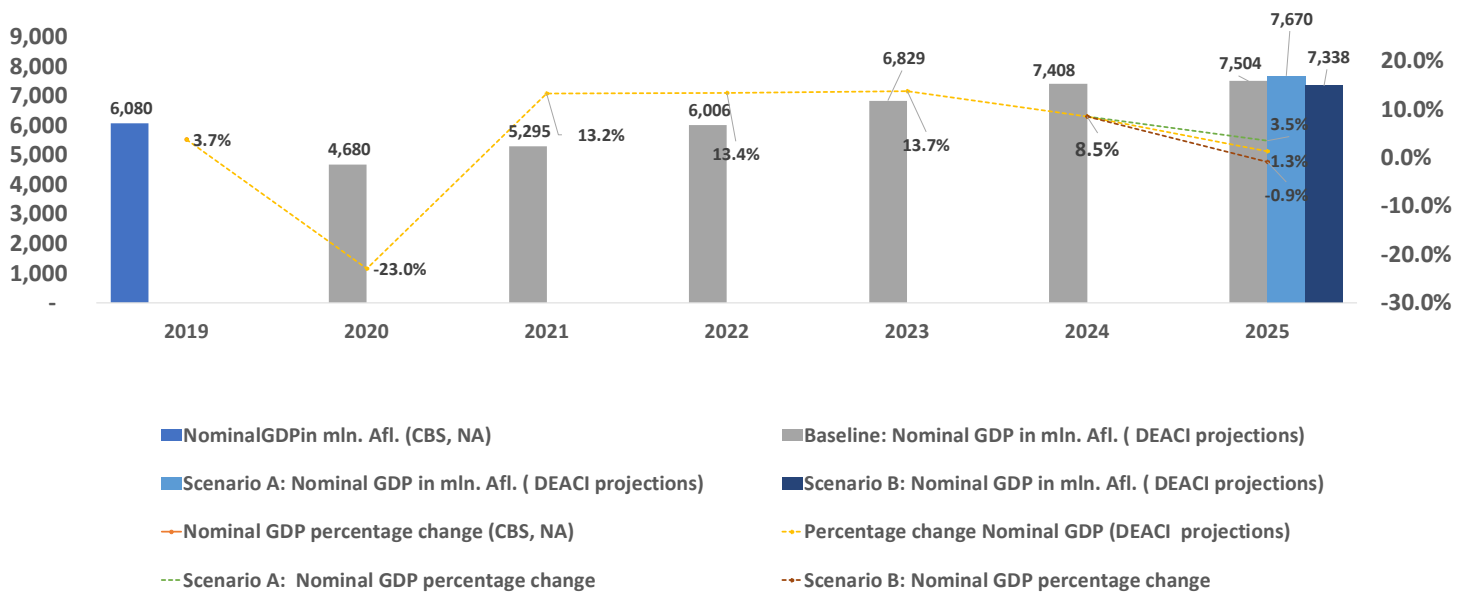
# Chapter 3: Scenario's Outlook 2025

The baseline projection provides a middle-ground expectation for economic performance in 2025. It assumes a steady trajectory for nominal GDP growth, with no deviations. This projection serves as a reference point against which the more positive and conservatives' scenarios are compared. See Annex D, Table 5 and Annex E, Table 6.

In Scenario A, the outlook is optimistic. The global economy is thriving, the tourism sector is experiencing a steady growth and planned investments in 2025 will go on with no risk. Confidence in the economy is high, leading to increased investments, particularly in the hotel sector. As a result, nominal GDP is projected to increase by 3.5 percent, indicating a strong economic performance. See Graph 2.

Contrastingly, Scenario B projects a more conservative approach to the economy for 2025. In this scenario geopolitical uncertainties weigh on the global economy. Planned investments in the hotel sector face setbacks, contributing to stagnant growth in that industry. Additionally, the tourism sector experiences a decline in visitors due to a conservative approach to travel amidst uncertain times. As a result, nominal GDP is projected to decline by 0.9 percent, reflecting the more subdued economic outlook. See Graph 2.

Graph 2: Development nominal GDP in mln. for the years Afl. 2019 – 2025, with scenarios for 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024

# Chapter 4: The REAL GDP 2023 and 2024

In economic analysis, GDP serves as an indicator for assessing a country's economic performance. Both nominal GDP and real GDP are important metrics that provide insights into the total value of goods and services spent or produced within a nation. Nominal GDP measures the value of goods and services at current market prices, while real GDP adjusts for inflation, providing a more accurate reflection of an economy's production level over time.

The inflation for 2023 is 3.4 percent according the CBS and for the year 2024 an inflation of 3.1 percent is projected according to our MARUBA model.

Table 1: Inflation 2023 and 2024

Economic Outlook April 2024		
	2023	2024
<b>Inflation</b>	<b>3.4</b>	<b>3.1</b>

Source: CBS, CPI Key Indicators, April 2024 for the year 2023 and DEACI, Economic Outlook 2024-2025, April 2024 for the year 2024

We want to highlight that DEACI is currently awaiting the official deflators from the National Accounts to further refine the accuracy of the data. In the meantime, we are using a deflator calculated by our own MARUBA Model. Table 2 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 2023 and 2024.

Table 2: Nominal and Real GDP 2023- 2024

Economic Outlook April 2024				
	Estimate 2023	Projection 2024	Projection 2023	Projections 2024
	<i>Nominal</i>	<i>Nominal</i>	<i>Real</i>	<i>Real</i>
<b>GDP</b>	<b>13.7</b>	<b>8.5</b>	<b>4.8</b>	<b>3.9</b>
Private consumption (%)	5.1	4.5	1.7	1.4
Public consumption (%)	4.0	1.5	1.0	0.8
<b>Total consumption (%)</b>	<b>4.8</b>	<b>3.6</b>	<b>1.5</b>	<b>1.3</b>
Private investments (%)	39.5	9.8	34.7	6.9
Public investments (%)	4.6	219.3	1.0	211.1
<b>Total investments (%)</b>	<b>39.0</b>	<b>11.7</b>	<b>34.3</b>	<b>8.8</b>
<b>Export Goods and Services (%)</b>	<b>12.0</b>	<b>11.9</b>	<b>4.3</b>	<b>6.3</b>
<i>Export (tourism) (%)</i>	<b>13.9</b>	<b>14.0</b>	<b>5.0</b>	<b>7.9</b>
<b>Imports Goods and Services (%)</b>	<b>9.2</b>	<b>8.8</b>	<b>7.7</b>	<b>5.6</b>

Source: DEACI, Economic Outlook 2024- 2025, April 2024



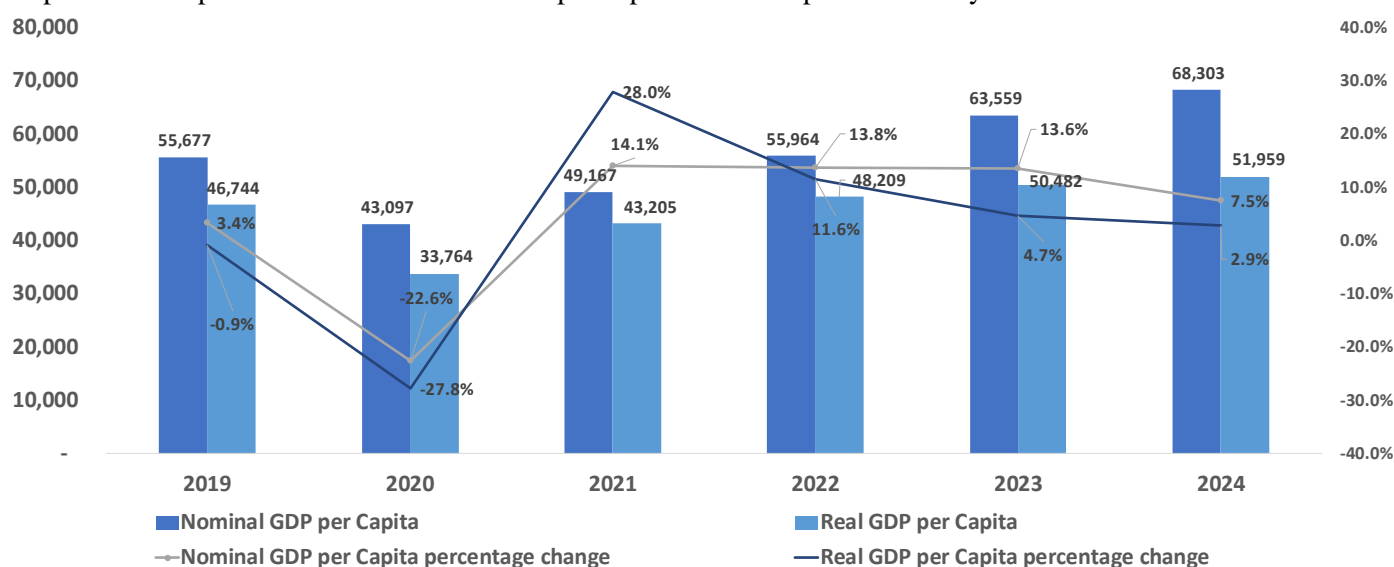
The positive growth trend in Real GDP, with projections of 4.8 percent in 2023 and 3.9 percent in 2024, is closely tied to anticipated enhancements in the tourism sector during both years. The upsurge in Total Investments (TI) is driven by Private Investments (PI) growth particularly within the hotel sector. In 2023, PI is expected to increase by 34.7 percent, with an additional 6.9 percent increase forecasted for 2024. These significant investments in the hotel industry directly correlate with the performance of the tourism sector, stimulating the economic growth.

Regarding PUBI, the 211.1 percent increase projected for 2024 is linked to the government's financial surplus in 2023, with 50.0 percent being allocated for investment in public projects.

Export Tourism (ET) is anticipated to increase by 5.0 percent and 7.9 percent in 2023 and 2024, respectively. Among the GDP components, Total Consumption (TC) has shown a slower growth compared to other components. TC is projected to increase by 1.5 percent in 2023 and 1.3 percent in 2024.

Finally, GDP per Capita in real terms is projected to grow by 4.7 percent in 2023 and 2.9 percent in 2024. Graph 3 illustrates the estimated nominal and real GDP per Capita in Afl. development since 2019.

Graph 3: Development nominal and real GDP per capita in market prices for the years Afl. 2019 – 2024



Source: DEACI, Economic Outlook 2024- 2025, April 2024

# Chapter 5: Risk factors for outlook 2024 and 2025

In assessing the outlook for any economy, it's essential to carefully consider the risk factors that could potentially impact its trajectory. Among these factors, inflationary pressures and cautious fiscal reforms stand out as critical areas of concern. As we delve into the economic landscape, it becomes evident that navigating through these challenges requires an understanding of their implications and the strategies needed to address them effectively.



## **Navigating Economic Challenges: Addressing Institutional Capacity, Financial Resources, and Deficits**

In addition to limited institutional capacity and scarce financial resources, deficits pose further challenges. Budget deficits can strain fiscal resources, limiting the government's ability to invest in critical infrastructure or provide essential public services. Moreover, persistent deficits may lead to increased borrowing costs, crowding out private investment and exacerbating economic imbalances. Therefore, addressing deficits is crucial for ensuring long-term fiscal sustainability and fostering economic stability.

## **Navigating Economic Vulnerabilities: Aruba's Tourism Reliance**

Aruba's heavy reliance on tourism exposes it to significant risks from global events and economic downturns. The ongoing conflict in Ukraine and in the Middle East and their ripple effects, including heightened global inflation, disruptions in supply chains, and increased energy costs may be impacting economies around the world but also Aruba's.

With tourism being a primary economic pillar, any disruptions in the global tourism market can have severe consequences for Aruba's economy. The slowdown in travel caused by the pandemic, coupled with geopolitical tensions and economic uncertainties, underscores the need for diversification. By expanding into other sectors and reducing dependence on tourism, Aruba can mitigate the risks associated with external shocks and build resilience for the future.

## **Managing Inflationary Pressures and Fiscal Reforms: Challenges and Uncertainties**

Inflationary pressures are mounting, posing challenges to businesses and consumers alike. As costs rise and purchasing power diminishes and consumer spending can come under strain. Meanwhile, uncertainties loom over the future fiscal reforms. The lack of clarity surrounding the nature and scope

of these reforms leaves businesses and consumers unsure about their implications for private consumption and investment. To navigate these uncertainties effectively, a transparent government communication strategy is imperative. Providing clear explanations of the reforms and their intended objectives, especially to companies and citizens, will foster understanding and facilitate the smooth implementation of these policies.

### **Navigating Global Economic Waters: The Impact of Middle East Geopolitical Tensions on Oil Prices and Economic Growth**

The Middle East is a region fraught with geopolitical tensions, primarily centered around the Israel-Palestine conflict and Iran's ambitions. Decades of struggle over land and identity have made the Israel-Palestine conflict a focal point of international concern. Meanwhile, Iran's nuclear program and support for militant groups have raised fears of broader conflict. These tensions have significant implications for the global economy, particularly due to the region's importance in oil production. Any disruption to oil supplies could send prices soaring and strain economies worldwide. Despite diplomatic efforts to ease tensions, the risk of conflict remains, casting a shadow over the region and beyond.

### **Navigating the Nexus: Balancing Aruba's Environmental Sustainability and Tourism Employment**

Aruba confronts itself with dual challenges of managing its carrying capacity and meeting the escalating demand for employment within its tourism sector. As tourists flock to the island attracted by its pristine beaches and sunny climate, the strain on Aruba's delicate ecosystems intensifies. Overcrowding and insufficient infrastructure pose risks of environmental degradation, including the depletion of natural resources and degradation of ecosystems. Simultaneously, the rapid growth of the tourism industry exacerbates the shortage of personnel, creating a pressing need for workers to sustain and enhance visitor experiences. Balancing the preservation of Aruba's environment with the imperative of meeting employment demands presents a critical task for the island's policymakers and stakeholders in ensuring the sustainability of its tourism sector.

### **Navigating Competitive Challenges: Sustaining Aruba's Tourism Appeal**

In a highly competitive tourism market, Aruba faces the constant pressure of offering value to travelers while maintaining profitability. The risk of setting service prices too high without offering corresponding value poses a significant risk. This could lead tourists to choose alternative Caribbean destinations instead. This competitive landscape demands agility and innovation to ensure Aruba remains a top choice for travelers seeking quality experiences. Failure to meet these challenges could result in a decline in market share and financial performance within the competitive tourism landscape. Aruba must prioritize enhancing services, innovating, and ensuring a compelling overall experience for visitors to thrive amidst fierce competition.

# Chapter 6: Recommendation

Maintaining a delicate balance between economic expansion and environmental conservation, diversifying the economic landscape, addressing competitive pressures, and managing the strain of excessive tourism are all vital elements for fostering sustained economic progress. Employing strategies centered on sustainable practices, economic diversification, transparent communication regarding fiscal adjustments, and effectively managing visitor influxes are imperative for effectively addressing these challenges.



By fostering collaboration and cultivating a unified vision among various sectors, Aruba can advance toward sustainable development, ensuring economic prosperity while safeguarding its distinctive environment and cultural heritage for future generations. Diversifying the economy is crucial for Aruba to mitigate the risks associated with overreliance on a single sector, particularly tourism, and to fortify itself against external shocks. Though diversification presents challenges, taking gradual steps and nurturing an environment conducive to the growth of emerging industries can contribute to forging a more resilient and diversified economy. Collaboration, adaptability, and a long-term perspective are pivotal in this endeavor. Here are some steps that can be considered for an investment plan focused on diversifying the economy:

1. Further promoting Promising Industries: Seek out industries with growth potential that align with Aruba's strengths, such as renewable energy, technology, agriculture, or sustainable tourism.
2. Further supporting Local Entrepreneurs: Provide funding and resources to local entrepreneurs and startups in these promising industries to encourage innovation and drive economic growth.
3. Infrastructure Development: Invest in infrastructure projects that support the growth of new industries, such as improving transportation networks and developing industrial zones.
4. Skills Development: Offer training programs and education initiatives to develop the skills needed for emerging industries, including vocational training and apprenticeship programs.
5. Keep attracting Foreign Investment: Explore opportunities to attract foreign investment in key sectors by offering incentives and favorable business conditions.
6. Sustainability Focus: Prioritize industries and projects that promote environmental sustainability and social responsibility, enhancing Aruba's reputation as a sustainable destination.
7. Public-Private Partnerships: Foster collaboration between the government, private sector, and local communities to drive economic diversification efforts through joint initiatives.
8. Monitor and Adjust: Continuously monitor progress and be prepared to adjust strategies as needed to ensure economic diversification efforts remain on track.

Investing in diversification initiatives can create new economic opportunities, reduce vulnerability to external shocks, and build a more resilient and sustainable economy for Aruba's future.

# Chapter 7: Global Economy

According to the International Monetary Fund's World Economic Outlook (WEO) for April 2024. Global Real GDP growth is projected to be 3.2 percent in 2024 and 2025. (April 2024 database). See Annex F, graph 10.

The global economic growth will continue to grow at the same pace of 2023. The pace of growth is currently below historical standards due to a combination of factors. In the short term, this is influenced by ongoing high borrowing costs and the reduction of fiscal support. Longer-term effects from the COVID-19 pandemic and Russia's invasion of Ukraine also contribute to this subdued expansion. Additionally, sluggish growth in productivity and increasing geo-economic fragmentation further dampen the rate of expansion.

## Global Inflation

According to the IMF, world inflation is projected at 6.8 percent in 2023, 5.9 percent in 2024 and 4.5 percent in 2025 (WEO, April 2024).

Specifically:

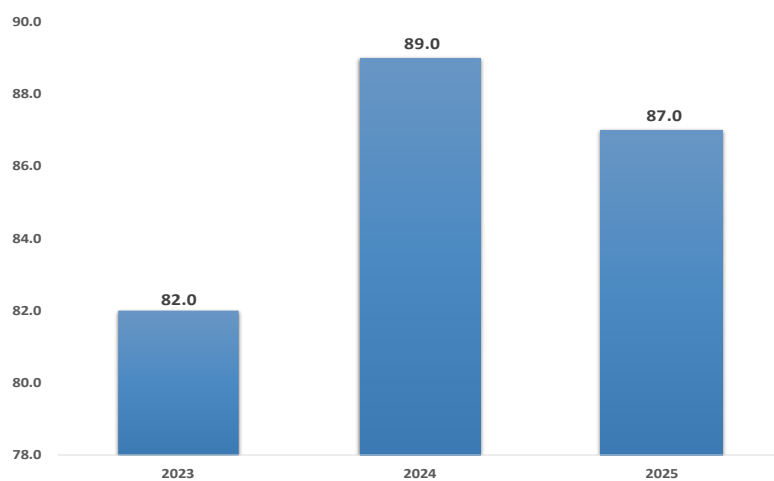
The U.S. inflation is expected to be 4.1 percent in 2023, 2.9 percent in 2024, and 2.0 percent in 2025 (WEO, April 2024).

The Netherlands inflation is projected at 4.1 percent in 2023, 2.7 percent in 2024, and 2.1 percent in 2025 (WEO, April 2024).

- Latin America and the Caribbean inflation is anticipated to be 14.4 percent in 2023, 16.7 percent in 2024, and 7.7 percent in 2025 (WEO, April 2024).
- Aruba's inflation is projected at 3.4 percent in 2023 and 2.3 percent in 2024 and 1.8 percent in 2025 (WEO, April 2024). See Annex F, Graph 11.

## Prices

Graph 4: Brent crude oil development



Source: U.S. EIA's short Term Energy Outlook, April 9, 2024

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 2023, the price per barrel was \$82.0;
- The projection for 2024 is a price of \$89.0 per barrel;
- For 2025, the expected price per barrel is \$87.0

It is important to mention that the ongoing conflicts in the Middle East, including tensions between Israel and Palestine and the broader geopolitical dynamics involving Iran, can have an impact on the oil supply and global oil prices in the near future.



# 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 2024 – 2025, April 2024

Table 3: Economic Outlook in nominal terms 2024 – 2025

Nominal (in %)	Economic Outlook January 2024				Economic Outlook April 2024		
	Estimate 2022	Estimate 2023	Projection 2024	Projection 2025	Estimate 2023	Projection 2024	Projection 2025
<b>Inflation (%)</b>	<b>5.5</b>	<b>3.6</b>	<b>3.5</b>	<b>2.7</b>	<b>3.4</b>	<b>3.1</b>	<b>2.5</b>
<b>GDP at market prices (In M. Afls)</b>	<b>5997</b>	<b>6817</b>	<b>7025</b>	<b>7126</b>	<b>6829</b>	<b>7408</b>	<b>7504</b>
<b>GDP at market prices (%)</b>	<b>13.8</b>	<b>13.7</b>	<b>3.0</b>	<b>1.4</b>	<b>13.7</b>	<b>8.5</b>	<b>1.3</b>
Private consumption (%)	5.2	6.8	2.2	2.0	5.1	4.5	1.6
Public consumption (%)	5.5	1.3	1.4	0.2	4.0	1.5	0.3
<b>Total consumption (%)</b>	<b>5.3</b>	<b>5.1</b>	<b>2.0</b>	<b>1.5</b>	<b>4.8</b>	<b>3.6</b>	<b>1.2</b>
Private investments (%)	14.2	39.6	0.2	2.9	39.5	9.8	-5.1
Public investments (%)	-18.6	64.2	116.3	-55.7	4.6	219.3	-33.5
<b>Total investments (%)</b>	<b>13.7</b>	<b>39.9</b>	<b>1.8</b>	<b>1.2</b>	<b>39.0</b>	<b>11.7</b>	<b>-5.8</b>
<b>Exports Goods and Services (%)</b>	<b>38.3</b>	<b>14.3</b>	<b>6.0</b>	<b>2.1</b>	<b>12.0</b>	<b>11.9</b>	<b>2.6</b>
<i>Export (tourism) (%)</i>	<b>40.0</b>	<b>15.9</b>	<b>6.6</b>	<b>1.6</b>	<b>13.9</b>	<b>14.0</b>	<b>2.5</b>
<b>Imports Goods and Services (%)</b>	<b>28.4</b>	<b>12.2</b>	<b>4.9</b>	<b>2.1</b>	<b>9.2</b>	<b>8.8</b>	<b>0.6</b>
<b>Tourism</b>							
Total Stayover Visitors (number *1000)	<b>1101</b>	<b>1231</b>	<b>1268</b>	<b>1293</b>	<b>1244</b>	<b>1393</b>	<b>1421</b>
Total Cruise Passengers (number *1000)	<b>610</b>	<b>749</b>	<b>876</b>	<b>876</b>	<b>818</b>	<b>871</b>	<b>880</b>
Export from Tourism(In M. Afls)	<b>4099</b>	<b>4751</b>	<b>5063</b>	<b>5146</b>	<b>4688</b>	<b>5345</b>	<b>5478</b>

Source: DEACI, Economic Outlook 2024- 2025, April 2024

## Annex C: Economic Outlook 2024 – 2025, April 2024

Table 4: Baseline assumptions for the Economic Outlook 2024 – 2025

Baseline Assumptions 2024-2025				
	2024- Baseline Outlook January 2024	2025- Baseline Outlook January 2024	2024- Baseline Outlook April 2024	2025- Baseline Outlook April 2024
Stayover Visitors	103% (2024 vs 2023) 1,267,764 visitors	102% (2025 vs 2024) 1,293,119 visitors	112% (2024 vs 2023) 1,392,780 visitors	102% (2025 vs 2024) 1,420,636 visitors
Cruise Visitors	117% (2024 vs 2023) 876, 097 visitors	2025 same as 2024 876, 097 visitors	106.5% (2024 vs 2023) 870,819 visitors	101% (2025 vs 2024) 879,527 visitors
Ad-Hoc Investments	Ongoing projects and planned projects	Ongoing projects and planned projects with a 50% risk factor	Ongoing projects	Ongoing projects and planned projects with a 50% risk factor
Average Daily Rate Expenditure non- Accomodation Stayover	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	ADR 105% (2024 vs 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	Multi annual budget	Multi annual budget	Multi annual budget
Labor Market	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.	Labor market will grow with tourism development and investment. Average wages will grow with the wage rate.	Labor market will grow with tourism development and investments. Average wages will grow with the wage rate.

Source: DEACI, Economic Outlook 2024- 2025, April 2024

## Annex D: Assumptions scenario A and scenario B for the year 2025

Table 5: Baseline assumption for the Economic Outlook 2024- 2025

	Scenario A: Positive	Scenario B: Conservative
	Projection 2025	Projection 2025
Inflation	2.5	2.5
Stayover Visitors	5.0 % growth (2025 vs 2023)	-1.0 % growth (2025 vs 2024)
Cruise Visitors	106% (2025 vs 2024) 870,819	96% (2025 vs 2024) 835,986
Ad-Hoc Investment	planned projects will be executed	planned projected will not be executed

Source: DEACI, Economic Outlook 2024- 2025, April 2024

## Annex E: Economic Outlook scenario A and scenario B for the year 2025

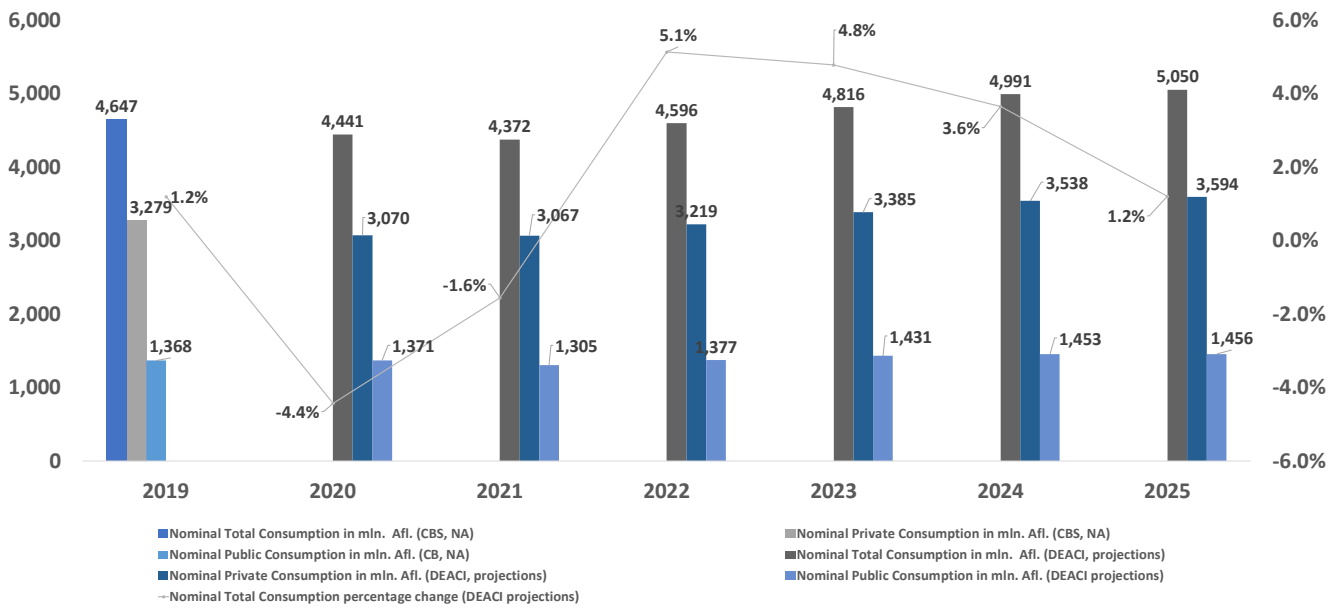
Table 6: Economic Outlook 2024- 2025, scenario A and scenario B for 2025

Economic Outlook April 2024				Scenario A: Optimistic	Scenario B: Conservative
Nominal (in %)	Estimate 2023	Projection 2024	Projection 2025	Projection 2025	Projection 2025
<b>Inflation (%)</b>	<b>3.4</b>	<b>3.1</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>GDP at market prices (In M. Afls)</b>	<b>6829</b>	<b>7408</b>	<b>7504</b>	<b>7670</b>	<b>7338</b>
<b>GDP at market prices (%)</b>	<b>13.7</b>	<b>8.5</b>	<b>1.3</b>	<b>3.5</b>	<b>-0.9</b>
Private consumption (%)	5.1	4.5	1.6	3.0	0.2
Public consumption (%)	4.0	1.5	0.3	0.3	0.3
<b>Total consumption (%)</b>	<b>4.8</b>	<b>3.6</b>	<b>1.2</b>	<b>2.2</b>	<b>0.2</b>
Private investments (%)	39.5	9.8	-5.1	0.4	-10.5
Public investments (%)	4.6	219.3	-33.5	-33.5	-33.5
<b>Total investments (%)</b>	<b>39.0</b>	<b>11.7</b>	<b>-5.8</b>	<b>-0.5</b>	<b>-11.1</b>
<b>Exports Goods and Services (%)</b>	<b>12.0</b>	<b>11.9</b>	<b>2.6</b>	<b>5.0</b>	<b>0.2</b>
<i>Export (tourism) (%)</i>	<b>13.9</b>	<b>14.0</b>	<b>2.5</b>	<b>5.4</b>	<b>-0.5</b>
<b>Imports Goods and Services (%)</b>	<b>9.2</b>	<b>8.8</b>	<b>0.6</b>	<b>2.9</b>	<b>-1.6</b>
<b>Tourism</b>					
Total Stayover Visitors (number *1000)	<b>1244</b>	<b>1393</b>	<b>1421</b>	<b>1462</b>	<b>1379</b>
Total Cruise Passengers (number *1000)	<b>818</b>	<b>871</b>	<b>880</b>	<b>932</b>	<b>836</b>
Export from Tourism(In M. Afls)	<b>4688</b>	<b>5345</b>	<b>5478</b>	<b>5636</b>	<b>5321</b>

Source: DEACI, Economic Outlook 2024- 2025, April 2024

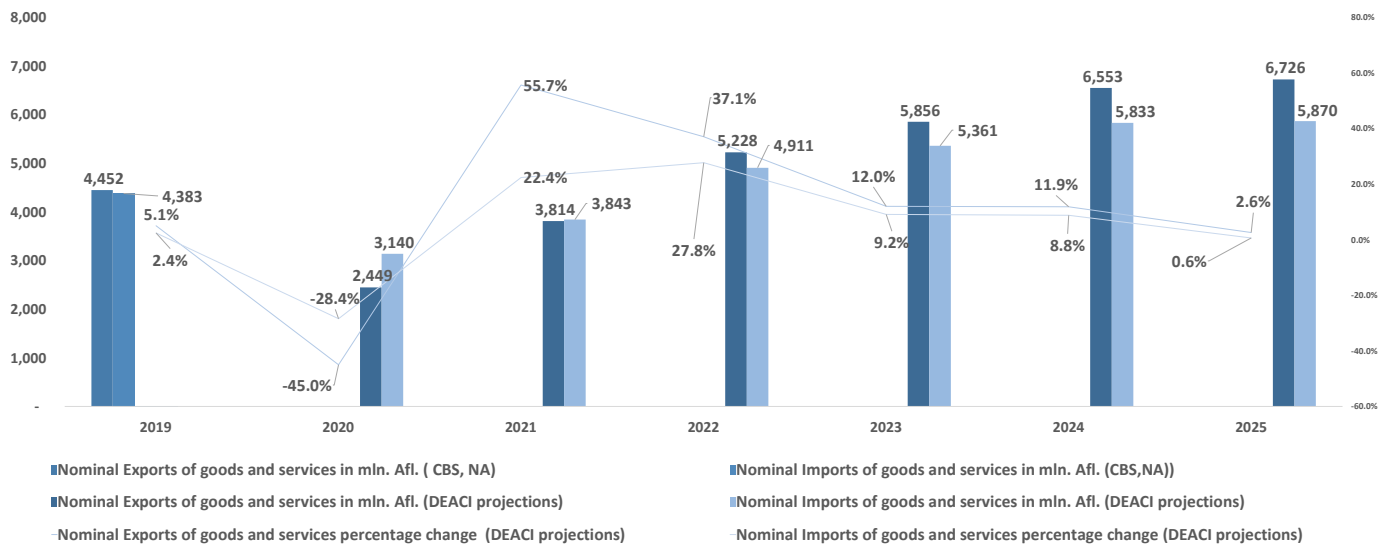
# Annex F: Graphs

Graph 5: Development nominal Consumption in mln. Afl. for the years 2019 - 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024

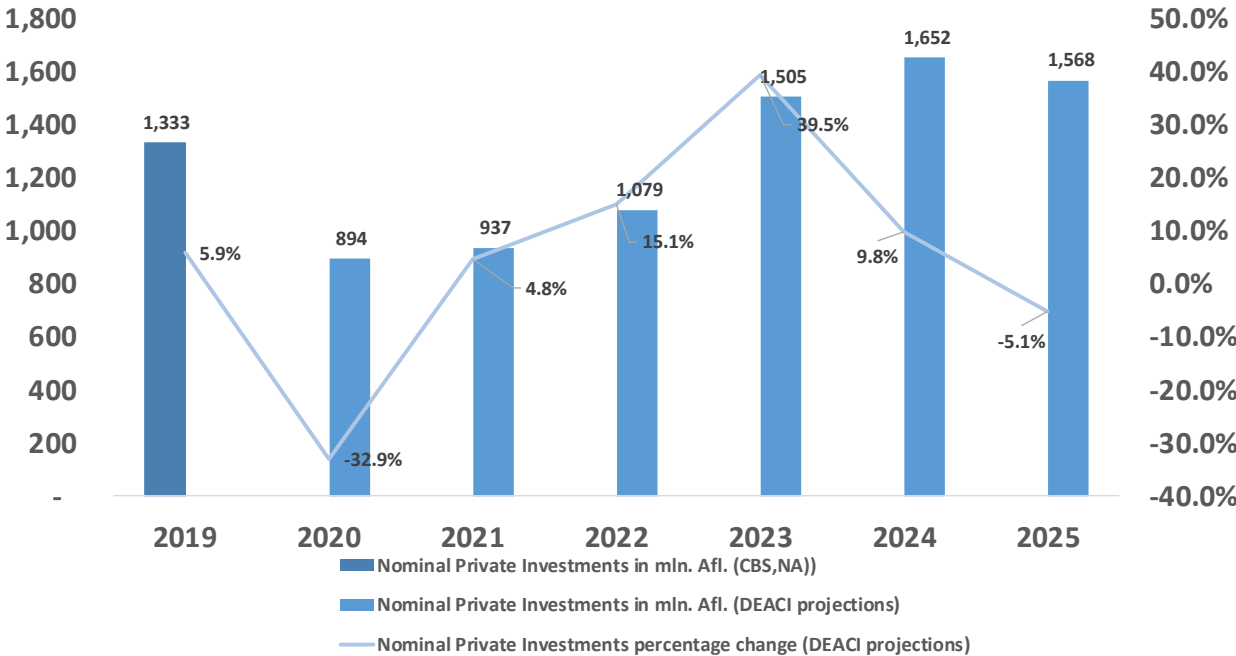
Graph 6: Development of nominal Export and nominal Import in mln. Afl. for the years 2019 - 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024



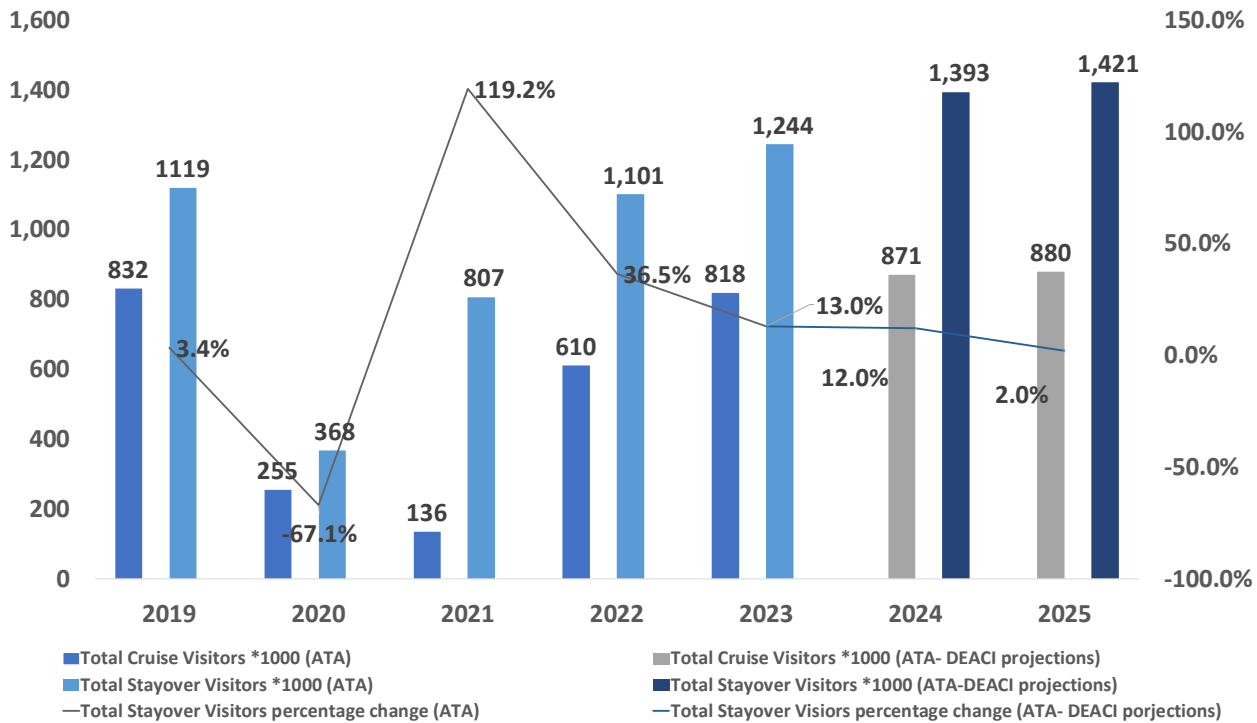
Graph 7: Development nominal Private Investments in mln. Afl. for the years 2019 - 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024

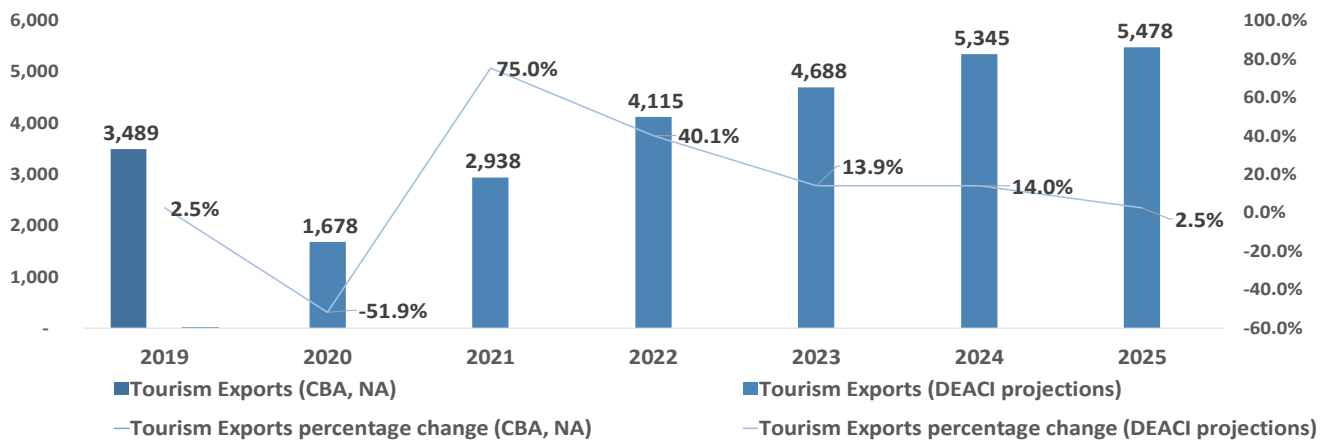
## Graphs Tourism Indicators

Graph 8: Development Tourist Visitors for the years 2019 – 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024

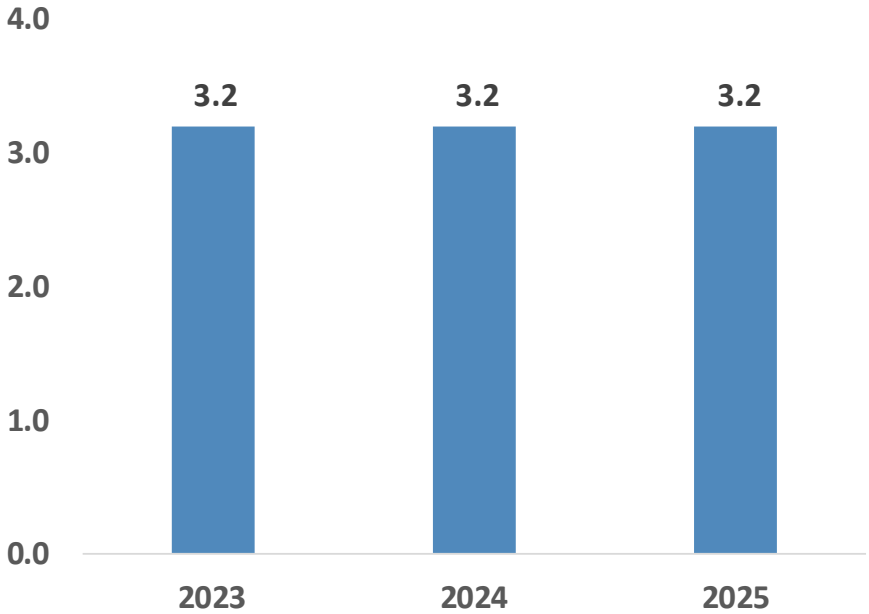
Graph 9: Development Tourism Exports in mln. Afl. for the years 2019 – 2025



Source: DEACI, Economic Outlook 2024- 2025, April 2024

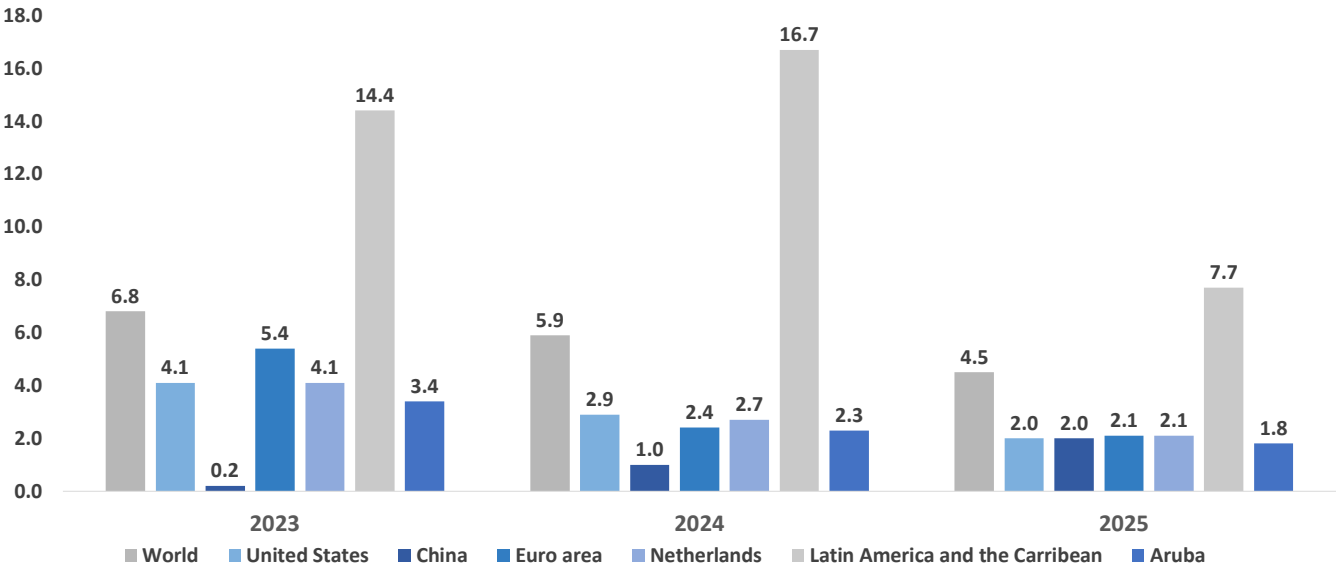
# Graphs Global Economy

Graph 10: Development Global Real GDP projections for the years 2023- 2025



Source: IMF, Economic Outlook, April 2024

Graph 11: Inflation Development in different countries and analytical groups for the years 2023 – 2025



Source: IMF, Economic Outlook, April 2024

