



Press release 2017-014

## GDP contracts in Curaçao and Sint Maarten in 2016

**WILLEMSTAD/PHILIPSBURG** - According to the Centrale Bank van Curaçao en Sint Maarten, the economies of Curaçao and Sint Maarten both contracted in 2016. In Curaçao's case, real Gross Domestic Product (GDP) fell by 1.0% after having expanded by 0.3% in 2015. Meanwhile, Sint Maarten recorded a real GDP contraction of 0.1% in 2016, following a mild expansion of 0.4% in 2015. Inflationary pressures remained contained in the monetary union. Curaçao recorded zero inflation in 2016, as the decline in energy prices was offset by an increase in food prices. Meanwhile, inflationary pressures eased to 0.1% in Sint Maarten, caused mainly by the drop in international oil prices.

Curaçao's real GDP contraction was attributable primarily to fewer activities in the manufacturing, restaurants & hotels, transport, storage & communication, wholesale & retail trade, and financial intermediation sectors. The contraction in the manufacturing sector was the result of less refining at the Isla refinery and a decline in ship repair activities. The disappointing performance of the restaurants & hotels sector reflected a decline in the number of stay-over visitors, the number of visitor nights, and the number of cruise tourists. Although all tourism markets, except the European market segment, recorded negative growth figures in 2016, the contraction was most pronounced in the South American market segment due primarily to the economic and political crisis in Venezuela. Meanwhile, real value added in the wholesale & retail trade sector shrank on the back of lower tourism spending and fewer activities in the free zone. The negative outcome in the transport, storage, & communication sector was to a great extent also related to the situation in Venezuela. Activities at the airport were affected by the financial challenges faced by the domestic airline, InselAir, due mainly to the crisis in Venezuela. Furthermore, airport-related activities decreased, reflected by less passenger traffic and fewer commercial landings. At the harbor, activities dropped because of a decline in the number of ship calls, notably cruise ships and tankers, piloted into the port. The decline in the number of tankers also was related to the situation in Venezuela. Furthermore, oil storage activities shrank.

The contraction in the financial intermediation sector resulted from a drop in real value added in both the domestic banking sector and the international financial services industry. By contrast, the construction sector continued to grow in 2016 supported by an increase in both private and public investments. In addition, following a contraction in 2015, the utilities sector recorded an expansion in 2016 driven by a rise in the production of both water and electricity.

Output contracted in Sint Maarten's construction, wholesale & retail trade, and real estate, renting & business activities sectors during 2016. In the wholesale & retail trade sector, real value added

dropped as a result of a decline in domestic spending and lower tourism spending, notably spending by cruise tourists. Meanwhile, the negative performance of the real estate, renting & business activities sector can be explained by a decline in business activities that cater to the cruise tourism sector, which was consistent with the marked decline in cruise tourism in 2016. Furthermore, the disappointing performance of the timeshare sector also contributed to the contraction in the real estate, renting & business activities sector.

By contrast, real value added grew in the manufacturing, utilities, financial intermediation, transport, storage & communication, and restaurants & hotels sectors. Growth in the manufacturing sector came primarily from a marked increase in yacht repair activities due to more yachts visiting Sint Maarten in 2016. The positive outcome in the utilities sector reflected an increase in both water and electricity production. Meanwhile, real value added rose in the financial intermediation sector driven by an increase in net interest income earned by the domestic commercial banks. The transport, storage & communication sector expanded in 2016, albeit at a slower pace than in 2015, due to the growth in harbor and airport-related activities. The gain in harbor activities was supported mainly by an increase in the number of freighters that visited the harbor. Corresponding with the development in stay-over tourism, airport-related activities rose as reflected by increased passenger traffic. In addition, the local carrier, Winair, transported more passengers in 2016 compared to 2015.

The expansion in the restaurants & hotels sector was attributable to an increase in stay-over tourism supported by more visitors from North America and Europe. By contrast, cruise tourism recorded a significant decline in the number of both cruise tourists and cruise calls. The decline in cruise tourism can be explained by several factors: increased competition from other Caribbean destinations but also from other regions, including Asia; the lack of a long-term strategy to secure cruise lines coming to Sint Maarten; and the negative publicity concerning a possible outbreak of the Zika virus in the Caribbean.

The complete text of the president's report and the Bank's 2016 Annual Report can be viewed on the Bank's website: [www.centralbank.cw/annual-report-2016](http://www.centralbank.cw/annual-report-2016)

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CENTRALE BANK VAN CURACAO EN SINT MAARTEN