



SUPPLEMENT TO THE QUARTERLY BULLETIN 2017-I

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

The current account of the balance of payments recorded a deficit of NAf.178.4 million in the first quarter of 2017 compared to the deficit of NAf.40.1 million registered in the first quarter of 2016. The higher current account deficit reflected mostly a decline in the net export of goods and services and, to a smaller extent, a worsening of the current transfers balance. However, the income balance improved. Meanwhile, gross official reserves dropped by NAf.45.9 million as the external financing was not sufficient to cover the current account deficit (See Table 1).

Table 1 Balance of payments summary (in millions NAf.)

	2015-I	2016-I	2017-I
Current account	-2.5	-40.1	-178.4
Capital transfers	-0.3	0.8	0.0
External financing of the government	1.2	7.3	3.3
External financing of the private sector	264.3	89.9	158.2
- Direct investment	29.9	42.7	136.8
- Loans and credits	-99.0	-85.8	-32.5
- Portfolio investment	333.4	133.0	53.9
Change in gross reserves of the central bank *)	-290.9	-88.5	45.9
- Foreign exchange	-10.3	-180.6	77.3
- held at foreign central banks	-2.7	-105.5	38.3
- held at foreign commercial banks	-7.7	-75.1	39.0
- Other claims	-280.6	92.1	-31.4
Statistical discrepancies	28.1	30.5	-29.0

*) A minus sign implies an increase.

CURRENT ACCOUNT

The net export of goods and services in the monetary union dropped by NAf.129.1 million during the first quarter of 2017 compared to the first quarter of 2016 because the rise in imports (NAf.139.4 million) exceeded the increase in exports (NAf.10.3 million).

Below follows an analysis of the developments in the net export of goods and services in Curaçao and Sint Maarten.¹

Developments in the net export of goods and services in Curaçao

In Curaçao, the net export of goods and services contracted by NAf.116.4 million during the first quarter of 2017 as the increase in imports (NAf.165.4 million) was greater than the rise in exports (NAf.49.0 million). The increase in imports was driven mainly by more oil imports, sustained by the higher international oil prices. Furthermore, merchandise imports especially by the wholesale & retail trade and utilities sectors increased. The import of construction services also rose, particularly because of the construction of the new hospital and maintenance work at the Isla refinery.

The positive export performance resulted particularly from an increase in foreign exchange revenues from bunkering activities, reflecting higher international oil prices. Also, the Isla refinery received more refining fee due to more refining activities. Adding to the export growth were merchandise exports by the free-zone and wholesale & retail trade sectors. However, foreign exchange earnings from tourism activities declined because of a contraction in stay-over tourism. All tourism markets contributed to the decline in stay-over tourism, especially the South American market. Meanwhile, cruise tourism revenues rose on the back of an increase in the number of cruise visitors in the first quarter of 2017 compared to the first quarter of 2016. Lower foreign exchange income from air transportation services provided to abroad, notably to Venezuela, also put a drag on the export growth because of the financial issues the local carrier InselAir has been facing since the third quarter of 2016.

Developments in the net export of goods and services in Sint Maarten

In Sint Maarten, net foreign demand shrank by NAf.8.5 million in the March quarter of 2017 because the decline in exports (NAf.43.5 million) was more pronounced than the drop in imports (NAf.35.0 million). The decline in exports was caused mostly by a decline in foreign exchange receipts from stay-over tourism, in line with a drop in the number of visitors. In addition, the foreign exchange receipts from cruise tourism dropped as a result of a decline in the number of cruise visitors. In line with the developments in the tourism sector, foreign exchange earnings from the sectors that cater to the tourism sector shrank during the first quarter of 2017 compared to the first quarter of 2016.

Imports dropped mainly because of lower merchandise imports by the wholesale & retail trade and utilities sectors. Oil imports declined as well, reflecting lower volumes of fuel purchased from abroad as international oil prices increased.

Developments in the income balance and current transfers balance

The income balance improved by NAf.4.0 million in the first quarter of 2017 as the increase in dividend and interest income received and labor income earned from abroad

¹ The current account of the monetary union is not equal to the sum of the current accounts of Curaçao and Sint Maarten due to the unregistered transactions between the two countries.

exceeded the rise in interest paid to foreign investors and labor income paid to abroad. Meanwhile, the deficit on the current transfers balance widened by NAf.13.2 million due primarily to an increase in current transfers paid to abroad.

Compared to the first quarter of 2016, the current account balance worsened by NAf.138.3 million in the first quarter of 2017, resulting in a deficit of NAf.178.4 million. (For a detailed overview, refer to Table 2 in the Appendix.)

Developments in the financial and capital account

Consistent with the current account deficit, net foreign indebtedness of the private sector increased by NAf.158.2 million in the March quarter of 2017. This change in external financing reflected a worsening of the direct investment (NAf.136.8 million) and portfolio investment (NAf.53.9 million) balances, and an improvement of the loans & credits balance (NAf.32.5 million).

The net direct investment balance deteriorated as a result of increased claims of foreign direct investors on their subsidiaries in the monetary union.

The portfolio investment balance worsened because of funds received from matured foreign debt securities held by institutional investors which were not reinvested abroad. The bulk of these matured debt securities was issued in the past by the entities of the former Netherlands Antilles and taken over by the Dutch government in October 2010 as part of the debt relief program. The worsening of the portfolio investment balance was mitigated by the repayment of matured debt securities that were issued in the past by companies in Curaçao and Sint Maarten.

By contrast, the loans & credits balance improved on the back of an increase in foreign deposits of residents of Curaçao and Sint Maarten combined with a decline in nonresidents' deposits in the monetary union. Furthermore, an increase in loans provided by local commercial banks to abroad contributed to the improvement of the loans & credits balance. In contrast, the net trade credits balance deteriorated by NAf.6.1 million because of an increase in trade credits received on imports and repayments from abroad on loans extended in the past by local merchants.

As the external financing was not sufficient to cover the current account deficit during the January-March period of 2017, gross official reserves dropped by NAf.45.9 million, a turnaround compared to the increase of NAf.88.5 million that was recorded a year earlier. (Refer to Table 3 in the Appendix for a detailed overview.)

APPENDIX

Table 2 Detailed overview of the balance of payments (in millions NAf.)

	2015-I	2016-I	2017-I
Trade balance	-817.2	-826.3	-826.5
-Exports	292.2	225.2	290.5
-Imports	1109.4	1051.5	1117.1
Services balance	854.7	834.7	705.8
Receipts, of which:	1366.5	1306.7	1251.7
-Travel	862.1	856.0	777.5
-Transportation	106.2	83.6	73.7
-Other services, of which:	398.2	367.1	400.5
-Int. fin & bus. services sector	45.5	63.3	58.5
Expenses, of which:	511.7	472.0	545.8
-Travel	171.0	180.2	188.3
-Transportation	73.3	61.3	72.9
-Other services, of which:	267.5	230.4	284.6
-Int. fin & bus. services sector	27.8	28.5	52.7
Income balance ¹⁾	-14.8	-23.6	-19.6
Current transfers balance ²⁾	-25.2	-24.9	-38.1
Current account balance	-2.5	-40.1	-178.4
Capital & financial account balance	-25.6	9.5	207.3
Capital account balance	-0.3	0.8	-0.0
Financial account balance	-25.4	8.7	207.4
Net errors & omissions	28.1	30.5	-29.0

1) Labor and investment income.

2) Public and private transfers.

Table 3 Breakdown of net changes in the financial account¹⁾ (in millions NAf.)

	2015-I	2016-I	2017-I
Direct investment	29.9	42.7	136.8
- Abroad ²⁾	-14.3	-11.3	-15.2
- In Curaçao and Sint Maarten ³⁾	44.2	53.9	152.0
Portfolio investment ²⁾	333.4	133.0	53.9
Other investment, of which:	-70.1	-119.5	-35.4
- Assets ²⁾	-6.5	-261.8	41.9
- Liabilities ³⁾	-63.6	142.4	-77.3
Net lending/borrowing, of which:	-27.7	41.0	6.1
- Assets ²⁾	31.4	27.4	-4.4
- Liabilities ³⁾	-59.1	13.6	10.5
Reserves ⁴⁾	-290.9	-88.5	45.9
Total assets ²⁾	53.1	-201.2	122.2
Total liabilities ³⁾	-78.5	209.9	85.2
Balance	-25.3	8.7	207.4

1) Transaction basis

2) A minus sign means an increase in assets.

3) A minus sign means a decrease in liabilities.

4) A minus sign means an increase in reserves.