



PRESS RELEASE No. 2015-010

Curaçao expanded, Sint Maarten contracted

Mixed growth in the monetary union

WILLEMSTAD/PHILIPSBURG – “The government of Curaçao has embarked on a path of reducing the costs of the government apparatus and the social insurances while stimulating economic growth, that contributed to a real GDP growth of 0.4% during the second quarter of 2015.” the president of the Centrale Bank van Curaçao en Sint Maarten, Dr. Emsley Tromp, said in the Bank’s Quarterly Bulletin. Meanwhile, Sint Maarten recorded an economic contraction of 0.6% in 2015’s second quarter.

“The economic growth of Curaçao in the second quarter of 2015 was supported by a rise in domestic demand, as both private and public spending increased. However, real GDP growth was dampened by a decline in net foreign demand, as exports dropped at a faster pace than imports,” Tromp explained. “The increase in private spending was solely due to higher consumption as investments dropped. Meanwhile, the increase in government investments- in among other things, the construction of the new hospital- caused public demand to increase”.

It was primarily the manufacturing, wholesale & retail trade, and restaurants & hotels sectors that contributed to the expansion of Curaçao’s economy in the second quarter of 2015, Tromp mentioned. “There was a positive contribution of the manufacturing sector to real GDP growth as reflected by increased refining and ship repair activities. The expansion in the wholesale & retail trade sector was driven by an increase in domestic demand and higher tourism spending, mitigated by a decline in activities at the free zone.

“The restaurants & hotels sector continued to perform well as a result of a growth in stay-over tourism. By contrast, the number of cruise tourists dropped, despite an increase in the number of cruise calls,” Tromp explained. The growth in stay-over tourism was mitigated by a decline in the

South American market, particularly Venezuela. “The favorable developments in the transport, storage & communication sector were the result of increased airport-related and harbor activities,” Tromp said. Airport activities increased with the growth in stay-over tourism and total passenger traffic, while the harbor activities rose because of more ships, freight, and oil storage handled.

In contrast, Curaçao recorded a drop in real value added in the financial intermediation, construction, and utilities sectors. Tromp explained that the financial intermediation sector dropped mainly because of the poor performance of the domestic banking sector, while the construction sector contracted because of a decline in private sector investments.

“Following an expansion in the second quarter of 2014, Sint Maarten recorded a real GDP contraction in the second quarter of 2015 because of a decline in domestic demand, moderated by an increase in net foreign demand,” Tromp pointed out. “The decline in domestic demand was caused by a drop in both private and public spending”.

“Sectoral data indicate that output contracted in most sectors of the Sint Maarten economy, with the exception of the utilities and financial intermediation sectors,” Tromp continued. “The contraction in output was most pronounced in the restaurants & hotels sector due to a decline in stay-over tourism combined with fewer cruise visitors”. The drop in the wholesale & retail trade sector was caused by a decline in tourism spending and lower domestic demand. Tromp added “that the decline in airport-related activities, in line with the drop in stay-over tourism, caused the poor performance in the transport, storage & communication sector.

In contrast, real output expanded in the financial intermediation sector as a result of an increase in other fees & income of the domestic commercial banks, while higher electricity and water production supported the growth in the utilities sector.

“On the fiscal front, the deficit on the current budget of the government of Curaçao widened in the second quarter of 2015 compared to the second quarter of 2014,” Tromp explained, led by a rise in expenditures and a drop in revenues. The rise in expenditures was caused solely by increased social security transfers. Meanwhile, government revenues dropped slightly due to a decline in nontax revenues.

Contrary to Curaçao, Sint Maarten’s government recorded a slightly lower budget deficit in the second quarter of 2015 compared to the second quarter of 2014, due to a drop in expenditures partially offset by a slight decline in revenues. Tromp pointed out that “the drop in expenditures was a result of lower outlays on wages & salaries and social security, while the decline in earnings was attributable to a drop in tax proceeds”.

Tromp emphasized that “strengthening economic growth while maintaining sound public finances is for both Curaçao and Sint Maarten a major policy challenge. In Curaçao, public investments, such as the construction of the new public hospital and the improvement of the road infrastructure, seem to have contributed to an increase in economic activities. However, to achieve a higher sustainable growth path in the longer run, the government will have to improve Curaçao’s business climate to

attract more local as well as foreign private investments. Also, further delays in the implementation of the intended measures to reduce public expenditures should be minimized to prevent a deterioration of the public finances in the near future.”

“Sint Maarten,” he concluded, “is going through a political crisis creating uncertainties that hamper economic growth because major deficiencies are not being addressed adequately. Hence, the country is in urgent need of political stability so it can create a climate in which the macroeconomic environment can be strengthened to attain a higher sustainable growth path”.

The complete text of the Report of the President and the Quarterly Bulletin for the second quarter of 2015 can be viewed on the bank’s website <http://www.centralbank.cw/quarterly-report-2015-2>.

Willemstad, October 29, 2015

CENTRALE BANK VAN CURACAO EN SINT MAARTEN