



## PRESS RELEASE 2016-012

*Diversification of the economy and development of new export markets  
are needed to reduce external vulnerabilities*

**WILLEMSTAD/PHILIPSBURG – According to preliminary data of the *Centrale Bank van Curaçao en Sint Maarten*, the current account surplus of the balance of payments dropped slightly during the first quarter of 2016. Gross official reserves rose, albeit at a slower pace than in the first quarter of 2015. Nevertheless, our export performance was disappointing, emphasizing the need to address our external vulnerabilities.**

The lower current account surplus resulted from a decline in the net export of goods and services combined with a worsening of the income and current transfers balances. Net export of goods and services declined because of a drop in exports, mitigated by fewer imports. The disappointing export performance was reflected by lower revenues from bunkering activities and air transportation services provided to abroad, but was mitigated by an increase in foreign exchange earnings from tourism activities owing entirely to the rise in stay-over tourism in Sint Maarten during the first quarter of 2016. Meanwhile, imports shrank mainly because of a decline in merchandise imports by the wholesale & retail trade sector in Sint Maarten combined with lower oil imports in Curaçao.

Furthermore, the income balance worsened during the first quarter of 2016 as a result of a decline in interest income earned on portfolio investments, moderated by a rise in labor income received from abroad and less interest paid to foreign investors. Meanwhile, the deficit on the current transfers balance widened due to an increase in current transfers paid to abroad.

To a large extent, our poor economic performance can be ascribed to domestic imbalances and rigidities, which increase the impact of external shocks on the economies of Curaçao and Sint Maarten. The slow pace of economic recovery in Europe, particularly the Netherlands, combined with the economic headwinds in Venezuela have affected our export performance and, hence, dampened economic growth. As indicated by the IMF in its latest Article IV consultation of Curaçao and Sint Maarten, both countries need to implement structural measures to improve the business climate and attract more foreign investments to achieve a higher pace of growth.

The complete text of the Quarterly Bulletin for the first quarter of 2016 can be viewed on the Bank's website [www.centralbank.cw](http://www.centralbank.cw) under the publications and research section.

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**CENTRALE BANK VAN CURACAO EN SINT MAARTEN**