



Press release 2017-015

## The balance of payments of the monetary union: increase in the current account deficit in 2016

**WILLEMSTAD/PHILIPSBURG – During 2016, the deficit on the current account of the balance of payments rose by NAf.170.2 million compared to 2015 to NAf.1,035.0 million. This deficit represents 13.8% of the monetary union's GDP and is well above the benchmark of 5.0% of GDP generally considered sustainable for small and open economies.**

The higher current account deficit was largely caused by a decline in the net export of goods and services as exports dropped at a faster pace than imports. The disappointing export performance reflected, among other things, a decline in the refining fee earned by the Isla refinery because of lower production activities in 2016. Furthermore, 2016 recorded a drop in foreign exchange earnings from bunkering activities, air transportation activities, and the re-export of merchandise by the Curaçao free zone. Foreign exchange earnings from tourism activities also shrank because of lower cruise tourism revenues in both Curaçao and Sint Maarten combined with lower earnings from stay-over tourism in Curaçao. In line with the poor tourism performance, foreign exchange receipts from other services, including harbor fees and airport landing fees, dropped as well. The lower import bill reflected a decline in both oil and non-oil merchandise imports. Oil imports dropped on the back of the decline in international oil prices combined with lower volumes purchased for bunkering activities. Meanwhile, non-oil merchandise imports were down due to, among other things, lower re-export activities by the free zone in Curaçao, lower tourism spending in both Curaçao and Sint Maarten, and a decline in domestic spending in Sint Maarten.

In addition, the income and current transfers balances worsened, adding to the increase in the current account deficit. The income balance deteriorated mainly as a result of lower interest income earned on foreign bonds and notes held by local institutional investors and an increase in dividend payments to foreign investors. An increase in labor income earned from abroad mitigated the deterioration of the income balance. Meanwhile, the worsening of the current transfers balance was primarily the result of an increase in current transfers paid to abroad.

The current account deficit was more than covered by external financing as reflected by a worsening of the loans & credit, portfolio investment, and direct investment balances. Consequently, gross official reserves of the monetary union grew by NAf.187.5 million in 2016, up from the increase of NAf.27.8 million in 2015. Meanwhile, the average import coverage rose from 4.9 months in 2015 to 5.2 months in 2016 as a result of the increase in official reserves combined with a decline in imports.

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)

Willemstad, September 7, 2017  
CENTRALE BANK VAN CURACAO EN SINT MAARTEN