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According to the CBCS: new strategies needed to combat lackluster growth

WILLEMSTAD/PHILIPSBURG – Economic growth in both Curaçao and Sint Maarten has been lackluster and lagging behind other countries in the Caribbean in recent years. This economic underperformance compared to regional peers is largely the result of macroeconomic weaknesses, in particular a lack of productivity growth and declining competitiveness, the Centrale Bank van Curaçao en Sint Maarten (CBCS) stated in its 2016 Annual Report.

According to the CBCS, the disappointing economic performance in 2016 was due mainly to external shocks, which small and open economies like Curaçao and Sint Maarten are very prone to. In Curaçao's case, the economic disruptions in Venezuela affected the performance of key economic pillars, particularly the tourism, transportation, and free-zone sectors. Meanwhile, in Sint Maarten, increased competition both within as well as outside the Caribbean, combined with negative publicity regarding a possible outbreak of the Zika virus negatively impacted cruise tourism, one of the main contributors to the country's economy.

The CBCS has stressed the importance of diversifying the economies of the two countries towards new markets and sectors. Curaçao's focus should be on increasing the number of trading partners, particularly in the region. Currently, Curaçao depends on three main trading partners--the United States, Venezuela, and the Netherlands. The current economic crisis in Venezuela and its effects on Curaçao's key economic pillars emphasize the risk associated with such a high exposure to a limited number of trading partners.

Meanwhile, Sint Maarten needs a clear strategy aimed at strengthening and further improving its tourism product to keep it more in line with the changing needs of tourists. In the Caribbean, for example, there has been a general shift in tourists' needs and interests away from luxury shopping and fine dining towards more active and adventurous holiday experiences. Therefore, Sint Maarten needs to reassess its current tourist product and design a strategy to recoup and strengthen its traditionally strong competitive position in the region.

Implementing structural reforms is by far the most important way to achieve a higher growth path, the CBCS stated. These reforms should be aimed at stimulating private sector and foreign direct investments to boost productivity and increase the competitiveness of our economies. One of the key priorities in this regard is raising the quality of human capital in Curaçao and Sint Maarten. In both countries, the educational system should be reformed to increase productivity. Curaçao and Sint Maarten would also benefit from further reforms of the investment climate by reducing administrative burdens and simplifying regulations.

Finally, political instability throughout the years resulting in frequent policy changes and inconsistencies has had a negative impact on investors' confidence in both Curaçao and Sint Maarten. Hence, the private sector would benefit greatly from more certainty about future economic and fiscal policies, the CBCS concluded.

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

Willemstad, September 7, 2017

CENTRALE BANK VAN CURACAO EN SINT MAARTEN