



Press Release 2017-019

Central Bank urges prompt reconstruction

Economic contraction forecast for Sint Maarten

WILLEMSTAD / PHILIPSBURG – In the wake of the severe damage Hurricane Irma caused to Sint Maarten when it hit the island on September 5 and 6, 2017, the Centrale Bank van Curaçao en Sint Maarten forecasts Sint Maarten’s economy to contract in 2017, with the contraction deepening in 2018, according to its preliminary projections. The powerful category 5 hurricane destroyed homes, infrastructure, and commercial and public property. Compared to the damage done by Hurricane Luis 22 years ago, Hurricane Irma caused even more destruction to vital tourism facilities, including hotels and key infrastructure for the tourism industry, such as the airport and the cruise terminal. And because tourism is Sint Maarten’s main, and basically only, economic pillar, the devastation caused by Hurricane Irma will have a tremendously adverse impact on the country’s economy.

The Bank has not yet, however, been able to estimate real GDP growth for Sint Maarten during the first quarter of 2017 due to a lack of data, particularly inflation, stay-over tourism, and public finances data. During the first months of 2017, the government of Sint Maarten encountered many issues with its IT system causing a delay in the compilation and provision of fiscal and economic statistics. In addition, the enormous damage that Hurricane Irma inflicted on Sint Maarten’s infrastructure in September 2017 will likely further delay the compilation and provision of data. Consequently, the Bank’s Quarterly Bulletin for the first quarter of 2017 does not include an analysis of the real sector and public sector developments in Sint Maarten.

The speed of reconstruction is crucial to turn Sint Maarten’s economic contraction into growth, the Bank emphasized, and it further cautioned that if post-disaster reconstruction is slow, the economic contraction will be deeper and longer lasting. The pace of reconstruction and recovery of Sint Maarten will depend to a great extent on how fast insurance claims are settled and on the investments of the public and private sector to restore Sint Maarten’s production capacity. The quality of reconstruction also is important, the Bank suggested. Sint Maarten will have to invest in the upgrading of homes, public infrastructure, and commercial properties so that they can better cope with future hurricanes and, hence, reduce disaster risks.

However, the country of Sint Maarten alone will not be able to cover all the costs of reconstruction, the Bank said, and pointed out that it is imperative that the Netherlands and international entities such as the European Union support the reconstruction of Sint Maarten

through financial aid and assistance. The funds made available should be deposited in a recovery fund and managed in an effective and transparent manner, the Bank advised.

As soon as the relevant data are available, the Bank will publish its economic analysis of Sint Maarten in a supplement to the Quarterly Bulletin and make it accessible via its website <http://www.centralbank.cw/quarterly-report-2017-1>

Willemstad, October 24, 2017

CENTRALE BANK VAN CURACAO EN SINT MAARTEN