



PRESS RELEASE NR. 2017-027

Curaçao's economy continued to contract in 2017's second quarter

WILLEMSTAD / PHILIPSBURG – The Centrale Bank van Curaçao en Sint Maarten has estimated that Curaçao's real GDP continued to contract in the second quarter of 2017 (-1.0%) compared to the second quarter of 2016 (-0.8%). Driven mainly by higher international oil prices, Curaçao's inflation rate turned around from -0.2% in 2016's second quarter to 1.8% in 2017's second quarter.

In its Quarterly Bulletin of the second quarter of 2017, the Bank's analysis by sector indicates that real output contracted in the transport, storage, & communication, manufacturing, wholesale & retail trade, and financial intermediation sectors of Curaçao in the June quarter of 2017. Both airport-related and harbor activities caused the contraction in the transport, storage, & communication sector. Airport-related activities dropped as reflected by a decrease in total passenger traffic and the number of commercial landings. The dismal performance of the airport can be attributed to the discontinuation of most flights by the domestic carrier, InselAir, since the third quarter of 2016 because of the financial headwinds the company has been facing. Harbor activities contracted as well because the number of ships handled dropped, mitigated by an increase in oil storage activities and cargo movements. In the manufacturing sector, real output shrank as a result of lower oil refining activities by the Isla refinery, the Bank explained. Real value added declined in the wholesale & retail trade sector due to a decline in domestic and tourism spending, and in the re-exports by the free-zone companies. The financial intermediation sector also recorded a negative result due to lower real value added of domestic financial services as both net interest income and other fees & income fell.

By contrast, the Bank pointed out that the restaurants & hotels, utilities, and construction sectors contributed positively to Curaçao's economy in the April-June period of 2017. The increase in the restaurants & hotels sector reflected a rise in the number of visitor nights, though the number of stay-over visitors dropped. However, the number of cruise tourists

increased. The utilities sector recorded a growth attributable to increased production of water and electricity. The expansion in the construction sector resulted from the ongoing private and public investments such as the construction of the second megapier and the new hospital, the Bank said.

According to the Bank, Curaçao is expected to record also an economic contraction for the entire year 2017 caused primarily by a decline in export, related largely to the economic crisis in Venezuela, and lower private consumption as a result of the decline in purchasing power due to the inflation and the worsening labor market. For 2018, some improvement is projected driven mainly by higher private investments in the tourism sector. However, downside risks to this projection include the spillovers of the ongoing crisis in Venezuela, uncertainties regarding the future of the refinery, and weaknesses in the investment climate. Under these circumstances, it is important that the government puts the implementation of structural reforms high on its policy agenda to improve Curaçao's competitiveness, thereby stimulating private investment, economic growth, and the creation of jobs. Also, clarity with respect to the future of the refinery is crucial to remove uncertainties that currently might hamper private sector investments. Although fiscal adjustments are necessary in light of the rising deficit on the current budget, the measures envisaged should have a minimal impact on the economy's growth prospects.

For the complete text of the quarterly bulletin for the second quarter of 2017, please visit the Bank's website <http://www.centralbank.cw/qb-2017-2>

Willemstad, December 15, 2017

CENTRALE BANK VAN CURACAO EN SINT MAARTEN