



**Press release 2019-028**

### ***Centrale Bank van Curaçao en Sint Maarten tightens monetary policy***

Willemstad/Philipsburg - The *Centrale Bank van Curaçao en Sint Maarten* (CBCS) considers it prudent to preventively stabilize the gradual decline in the gross official reserves and import coverage. This will provide room to the governments of Curaçao and Sint Maarten to implement strong economic policies, including a gradual and sustainable reduction of the budget deficits and the introduction of structural reforms directed at a strong competitive position for sustainable export growth and mitigation of import growth. Consequently, the deficit on the current account of the balance of payments can be reduced and the foreign exchanges reserves strengthened.

The gross official reserves (excluding gold) of the monetary union show a gradually declining trend as of August 2018. Consequently, the import coverage slowly declined to 3.7 months as per July 2019.

The main reasons for this trend are:

1. The considerable external shocks to the economies of the monetary union. In Sint Maarten, the tourism industry was affected by the hurricane disaster. In Curaçao, the crisis in Venezuela impacted the oil sector (refinery) as well as the harbor, aviation (the collapse of InselAir), and free-zone activities.
2. The conclusion of the debt relief of the former Netherlands Antilles by the Netherlands, which ended the related inflow of foreign exchange in 2018.
3. Higher imports due to increased oil prices and the reconstruction needs of Sint Maarten.
4. Higher foreign interest rates.

The monetary tightening implies that the CBCS will reintroduce biweekly tenders of Certificates of Deposit (CDs) among the local banks in the second half of August 2019. The CBCS will offer CDs both in Netherlands Antillean guilders (NAf) and US dollars (USD) on a regular basis. While the CDs in NAf are intended to further reduce the excess liquidity in the banking system, the CDs in USD are aimed at making it attractive for the banks to hold US dollars with the CBCS. Furthermore, the CBCS decided to maintain its pledging rate at 2.50%.

Willemstad, August 13, 2019

CENTRALE BANK VAN CURAÇAO EN SINT MAARTEN