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Curaçao and Sint Maarten economies contract
Circumstances challenging in 2018

WILLEMSTAD/PHILIPSBURG – “The economic circumstances in the monetary union remained challenging in 2018 with both Curaçao and Sint Maarten recording a contraction,” *Centrale Bank van Curaçao en Sint Maarten* (CBCS) acting president Bob Traa stated in the central bank’s 2018 annual report. “Curaçao’s real GDP contraction remained significantly influenced by the economic crisis in Venezuela that affected particularly the refining, harbor, and construction sectors. Meanwhile, the lingering effects of Hurricane Irma on Sint Maarten caused an economic contraction in 2018,” Traa explained. The acting central bank president pointed out that the debt-to-GDP ratio rose in both Curaçao and Sint Maarten reflecting mainly an increase in payables towards the social insurance and the public sector pension funds, and cautioned that the deficit on the current account of the balance of payments increased and gross official reserves dropped.

“Looking ahead, the economic outlook for the monetary union is diverse,” Traa continued. “Curaçao is projected to remain in a recession due to the headwinds faced by the Isla refinery - the structure of the economy in Curaçao is gradually changing away from industry towards tourism and this will take some time to play out,” he pointed out. “Growth is expected to rebound in Sint Maarten supported by a recovery in tourism and the reconstruction activities after the hurricane - the downturn and subsequent recovery in Sint Maarten appears to be more of a cyclical nature,” Traa added, but also cautioned that this combined outlook remains subject to downside risks.

“The speed of Sint Maarten’s economic recovery depends on the rehabilitation and reconstruction of the tourism infrastructure. Already two third of the hotel capacity has been restored by the private sector,” Traa explained. “Furthermore, the reconstruction of the Princess Juliana Airport will contribute to filling the rooms that became available.” He carefully added, however, that delays in this key reconstruction effort could restrain the pace of economic recovery. “Now that financing has been secured, the reconstruction of the airport can be finalized, supporting the speed of economic recovery,” Traa pointed out.

Curaçao and Sint Maarten also need to implement a structural reform agenda to support the aggregate supply side of the economy and thus boost growth potential. “Structural reforms

address obstacles to growth by improving the allocation of resources and encouraging job creation. At the same time, credible structural reforms indicate medium-term policy commitment and, hence, help restore confidence and stimulate investment. Moreover, structural reforms bolster resilience to shocks,” Traa concluded.

The complete text of the Report of the President and the Bank’s 2018 Annual Report can be viewed on the Bank’s website at www.centralbank.cw under the Publications section.

Willemstad, August 28, 2019

CENTRALE BANK VAN CURACAO EN SINT MAARTEN