



Press release no. 2019-033

CBCS on decline in official reserves **Sound policy response needed**

WILLEMSTAD/PHILIPSBURG – “The deepening current account deficit of the balance of payments of the monetary union and gradual slippage in the gross official reserves require a sound policy response,” stated Bob Traa, the acting president of the *Centrale Bank van Curaçao en Sint Maarten* in the Bank’s 2018 Annual Report.

The deficit on the current account of the balance of payments widened in 2018 compared to 2017 as a result of a decline in the net export of goods and services, moderated by an increase in the net current transfers received from abroad. “The net exports of goods and services dropped because of a marked increase in imports, including the rebuilding of Sint Maarten following the hurricanes, moderated by a smaller rise in exports. Net current transfers rose considerably as a result of the inflow of funds related to the claims of local insurance companies to pay their clients in Sint Maarten whose properties were damaged,” Traa explained.

“Gross official reserves of the central bank declined in 2018 as the external financing and capital transfers from abroad fell short of the current account deficit of the balance of payments of the monetary union”, Traa added. The average import coverage dropped from 5.0 months in 2017 to 4.2 months in 2018. Nevertheless, the average import coverage remained well-above the benchmark of 3.0 months.

“The import coverage remains above three months of goods and services imports, and the Bank will continue to monitor the developments on the balance of payments closely and take appropriate action to safeguard the fixed exchange rate peg of our currency to the US dollar—the long-running nominal anchor for our economies,” Traa pointed out. “Monetary policy needs to be supplemented by strong fiscal and structural economic policies from the governments of Curaçao and Sint Maarten directed at sustainable public finances and higher potential growth. Achieving higher export growth and tempering import growth will contribute to a structural improvement of our balance of payments and maintaining sound reserves. Coordination among policy makers will maximize the effectiveness of these policies,” he added.

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 CURAÇAO EN SINT MAARTEN