



Press Release no. 2020-008

*"Aid package more important than ever"*

## **CBCS estimates show sharp economic contraction**

**Willemstad/Philipsburg – The governments of Curaçao and Sint Maarten have implemented some unavoidable precautionary measures related to the coronavirus (COVID-19) pandemic. Both countries have closed their borders for commercial flights. Furthermore, maritime traffic, with the exception of transport of oil products and freight, has been restricted. On request of the governments, the CBCS has calculated the effects of the closure of the borders. The calculations show that these measures will have a significant adverse impact on the economies of Curaçao and Sint Maarten.**

The CBCS supports the governments' inevitable decision to close the borders, as it was based on the threat that the virus poses to public health. "Keeping the borders open would cost many lives and bring about a catastrophic overload on the health care system on the islands. None of this can be considered responsible options for small communities such as ours", said Dr. Jose Jardim, CBCS acting president.

As mentioned in a previous press release, the decision to close borders will, however, have an adverse effect on the economy. In particular, tourism, transportation services and other services related to the tourism sector will be affected by the closure of the borders. The longer the closure of the borders lasts, the greater the negative effect will be on the economy. The magnitude of the adverse effect will also depend on how fast the economy will recover after the borders are reopened.

The CBCS calculated four scenarios of the impact of the closure of the borders based on the duration of the closure, namely 1 month, 2 months, 3 months and 6 months. Furthermore, a distinction was made between fast recovery and gradual recovery. In case of a fast recovery, economic activities, particularly in the tourism and transport sectors, will recover quickly once the borders are reopened. Meanwhile, in case of a gradual recovery, it is assumed that economic activities will reach their normal trend after approximately 1 year.

Based on the latest projections of the CBCS, in which the effects of the closure of the borders and the coronavirus were not taken into account, the economy of Curaçao would have contracted by 2.5% in 2020. The effect of the closure of the borders on the economy of Curaçao is significant. Dr. Jardim

emphasizes that, in case of a fast recovery of economic activities after reopening of the borders, the economy will contract in real terms by 4.5% (closure of 1 month) to 14.2% (closure of 6 months). The contraction is deeper in case of a gradual recovery, namely between 8.8% (1 month) and 19.4% (6 months).

Before the closure of the borders, the economy of Sint Maarten was projected to grow in real terms by 2.9% in 2020. The projections have been adjusted downward now that the borders have been closed. If the borders are reopened after 1 month, economic growth will slow to 0.8% in case of a fast recovery. The economy will, however, contract in case the borders remain closed longer. “If the borders remain closed for 6 months, the economy would even contract by 15,0%,” according to the acting president. The outlook is worse in case of a gradual recovery. The economy of Sint Maarten would then contract between 5,7% (1 month) and 29,2% (6 months).

The CBCS has yet not taken into account the economic effects of a possible outbreak of the coronavirus (including increased healthcare costs and reduced economic activities) in Curaçao and Sint Maarten.

CBCS once again stresses that Curacao and Sint Maarten do not have the tools and resources to mitigate such a crisis. “It is precisely in times like these that the Dutch government should be pointed at one of the core principles on which the Kingdom is based and that is set out in article 36 of the Charter for the Kingdom of the Netherlands: ‘The Netherlands, Aruba, Curaçao and Sint Maarten shall accord one another aid and assistance,’” according to Dr. Jardim. Given the significant implications of the closure of the borders, rapid implementation of an aid package is paramount.

Willemstad - March 22, 2020

CENTRALE BANK VAN CURACAO EN SINT MAARTEN