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During the third quarter of 2019

Gross official reserves and import coverage decline

WILLEMSTAD/PHILIPSBURG – “Gross official reserves dropped by NAf.197.8 million during the third quarter of 2019, as the external financing and capital transfers from abroad were lower than the deficit on the current account of the balance of payments,” explained Dr. Jose Jardim, interim president of the Centrale Bank van Curaçao en Sint Maarten in the Bank’s third Quarterly Bulletin of 2019. “Meanwhile, the import coverage went down from 4.5 months at the end of June 2019 to 3.6 months at the end of September 2019,” Jardim added.

He explained that the deficit on the current account of the balance of payments narrowed during the third quarter of 2019 compared to the third quarter of 2018 due to an increase in the net export of goods and services, moderated by a worsening of the current transfers and income balances. The increase in the net export of goods and services was ascribable to a decline in imports, moderated by lower exports. “Merchandise imports by particularly the wholesale and retail trade and construction sectors in both Curaçao and Sint Maarten shrank during the third quarter of 2019,” Dr. Jardim pointed out, while adding that the oil import bill in Curaçao dropped, the import of construction services in both Curaçao and Sint Maarten went down, and the foreign operational expenses of international banks and trust companies in Curaçao decreased.

“Meanwhile, the contraction in exports reflected lower foreign exchange earnings from bunkering activities, refining activities, wholesale trade, international financial services, and legal and management consulting services in Curaçao. In addition, the receipts from cruise tourism in Sint Maarten dropped. However, higher revenues from stay-over tourism in both Curaçao and Sint Maarten and increased merchandise exports by the wholesale trade sector in Sint Maarten and the free-zone sector in Curaçao moderated the contraction in exports during the September quarter of 2019,” Dr. Jardim added.

He further explained that the current transfers balance deteriorated as a result of a decline in current transfers received from abroad as most of the claims of local insurance companies to pay their clients in Sint Maarten whose properties were damaged by the hurricane in 2017 were settled in 2018. “In addition, the worsening of the income balance was the result of an increase in dividend

paid to foreign investors, moderated by a growth in labor income earned from abroad and dividend received on foreign assets. Furthermore, interest payments to abroad dropped,” Dr. Jardim pointed out.

“In light of the downward trend in gross official reserves and the import coverage, the Bank decided to tighten its monetary policy during the third quarter of 2019. As of mid-August 2019, the Bank resumed the bi-weekly auctions of CDs after these had been suspended temporarily in December 2018. CDs were offered to the commercial banks in both guilders (NAf.) and US dollars leading to NAf.115.7 million in outstanding CDs at the end of the third quarter of 2019,” the interim president explained. “Meanwhile, the reserve requirement percentage was kept unchanged at 18.00%. Nevertheless, the amount of required reserves dropped during the July-September period of 2019 due to the lower base amount upon which it is calculated,” Dr. Jardim concluded.

The complete text of the Report of the President and the Bank’s third Quarterly Bulletin of 2019 can be viewed on the Bank’s : <https://www.centralbank.cw/publications/annual-reports-quarterly-bulletins/2019>

Willemstad - March 29, 2020

CENTRALE BANK VAN CURACAO EN SINT MAARTEN