

Annual Report 2011



July 5, 2012

Outline presentation

- **Developments in:**
 - **Real sector.**
 - **Public sector.**
 - **External sector.**
 - **Monetary and financial sector.**
- **Outlook for 2012 and 2013**

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Real sector



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Developments in the monetary union

	2010	2011
Current account balance (in mln NAf.)	-1,427.7	-1,517.2
Change in net foreign reserves (in mln NAf.)*	-162.4	506.7
Change in money supply (%)	-3.2	1.3
Change Private credit extension (%)		
Curaçao	-3.4	8.9
Sint Maarten	0.9	-2.4
GDP growth (%)		
Curaçao	0.1	0.4
Sint Maarten	0.0	-1.5
Inflation (%)		
Curaçao	2.8	2.3
Sint Maarten	3.2	4.6

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*- sign means an increase

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Macro-economic key figures: a comparison

	Real GDP		Consumer prices		Unemployment rate	
	2010	2011	2010	2011	2010	2011
Aruba	-3.2%	8.9%	2.1%	4.4%	11.0%	N/A
United States	3.0%	1.7%	1.6%	3.2%	9.4%	8.5%
Venezuela	-1.5%	4.2%	28.2%	26.1%	6.5%	6.5%
The Netherlands	1.7%	1.2%	1.3%	2.4%	4.3%	4.9%

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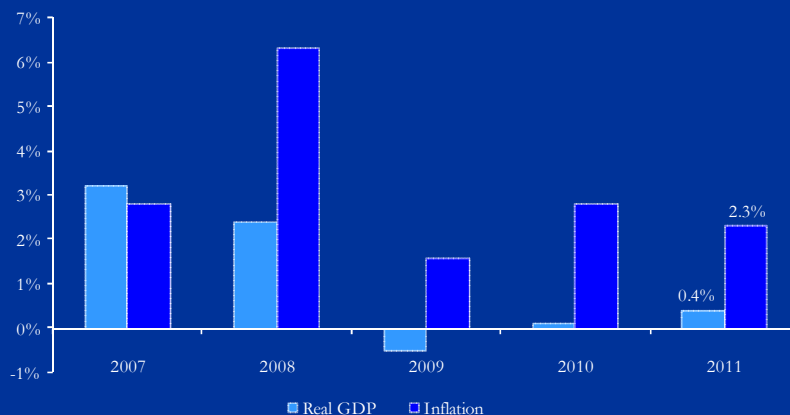
Main developments Curaçao in 2011

- Economic growth remained subdued at **0.4%**.
- Inflation rate decelerated to **2.3%**, caused mainly by a cut in electricity prices in April 2011.
- Unemployment rate remained stable at **9.8%**.

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Economic development Curaçao



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Curaçao GDP by expenditure

	2010	2011
Domestic expenditure, of which:	1.1	-0.2
Private sector	-0.1	1.3
- Consumption	0.6	1.1
- Investment	-0.7	0.2
Public sector	1.2	-1.5
- Consumption	1.2	-1.5
- Investment	0.0	0.0
Foreign net expenditure, of which:	-2.0	1.6
- Exports of G&S	-1.3	7.0
- Imports of G&S	0.7	5.3
Real GDP by expenditure	0.1	0.4

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Source: Estimates by the Central Bank of Curaçao and Sint Maarten.

*Expenditure categories data are weighted contributors to GDP growth

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Main economic developments Sint Maarten in 2011

- Real GDP is estimated to have contracted by 1.5% in 2011.
- Inflation soared to 4.6%, due to higher world oil and food prices and an increase in the turnover tax rate.

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Sectoral performance of Sint Maarten in 2011

- Drop in stay-over tourism leading to:
 - Less activities in hotels & restaurants
 - Contraction in wholesale & retail trade sector
- Increase in cruise tourism
- Mixed results in transport, storage & communication sector:
 - More ships piloted into port
 - Less passenger traffic at the airport and decline in airport activities

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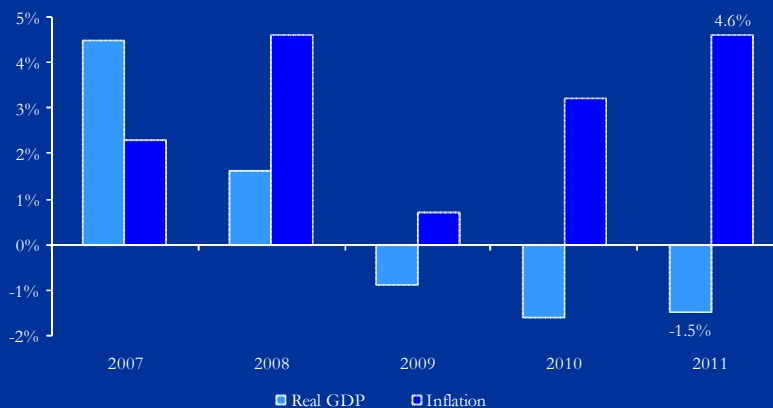
Sectoral performance of Sint Maarten in 2011 (2)

- **Mixed results utility sector**
 - Increase electricity production
 - Decline water production
 - Drop in water and electricity consumption
- **Weak performance of the financial sector**
 - Decline in net income of the domestic commercial banks.

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Economic development Sint Maarten



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Public sector



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Main developments Curaçao

- **First full year as an autonomous country within the Kingdom.**
- **Ongoing merger of the former central government and the island government of Curaçao.**
- **Lower spending due to the government apparatus reorganization.**
- **No balanced budget, but a high budget deficit.**
- **Negative primary balance.**

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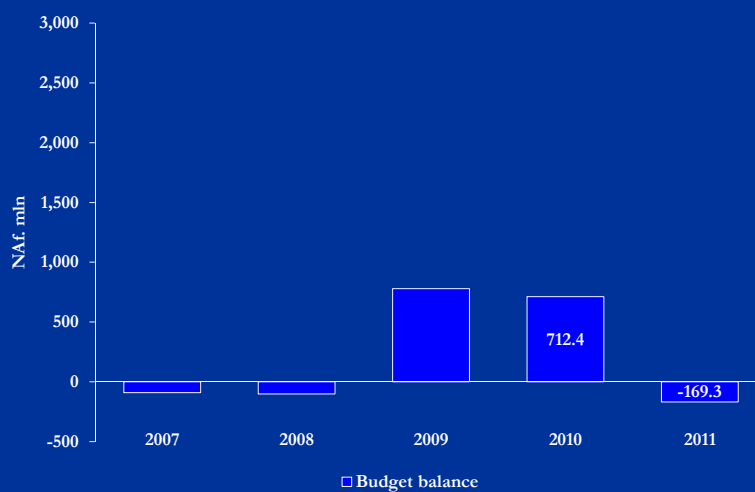
Main developments Sint Maarten

- First full year as an autonomous country within the Kingdom.
- Focus on setting up the necessary institutions to function autonomously.
- Increase turnover tax rate from 3% to 5%.
- Budget 2011 not signed into law until July 2011.
- Budget surplus.
- Positive primary balance.

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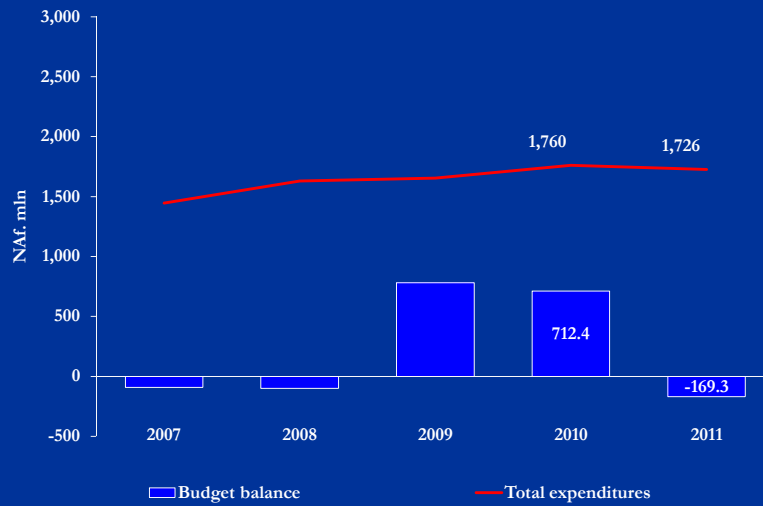
Budget development Curaçao



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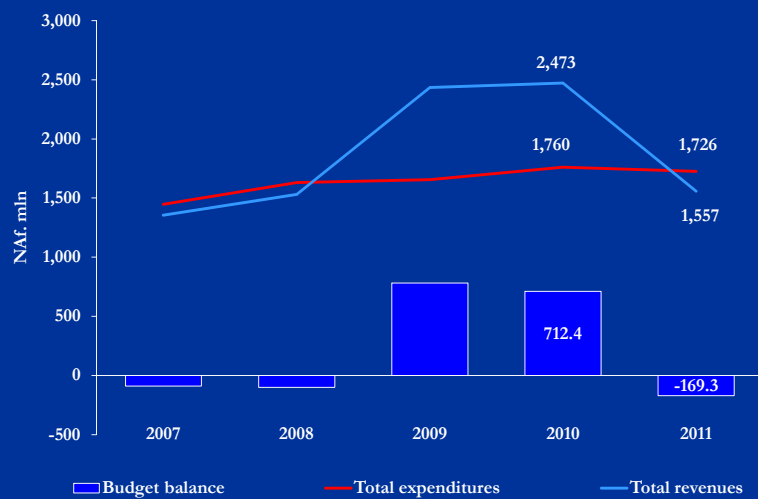
Budget development Curaçao



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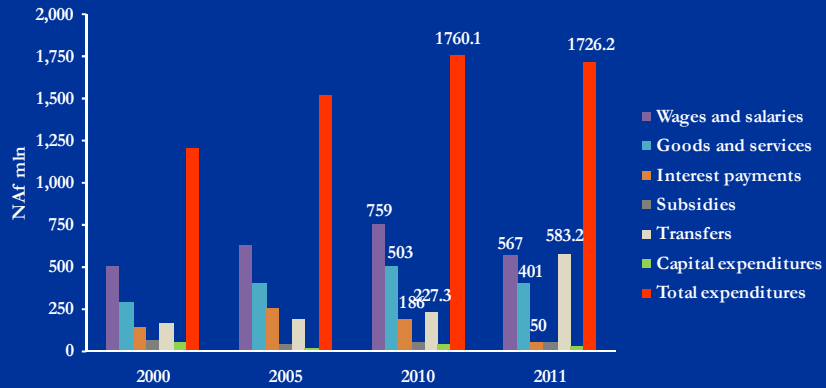
Budget development Curaçao



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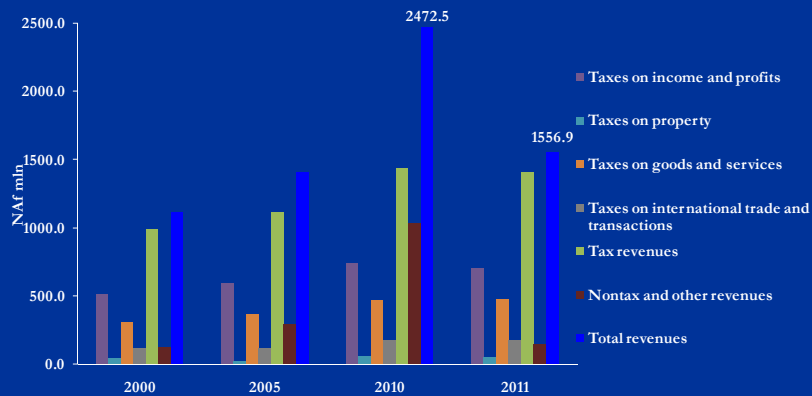
Development expenditures Curaçao government



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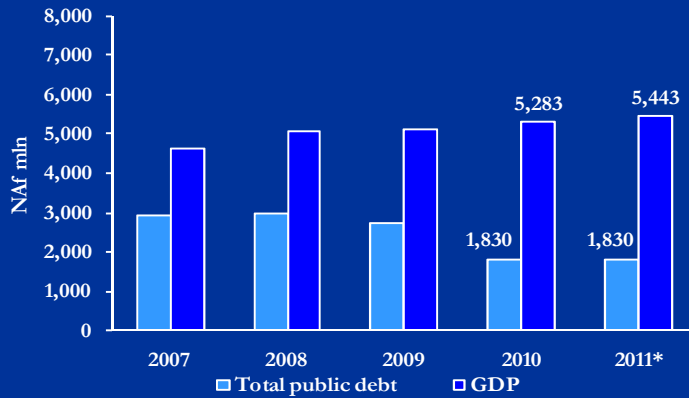
Development revenues Curaçao government



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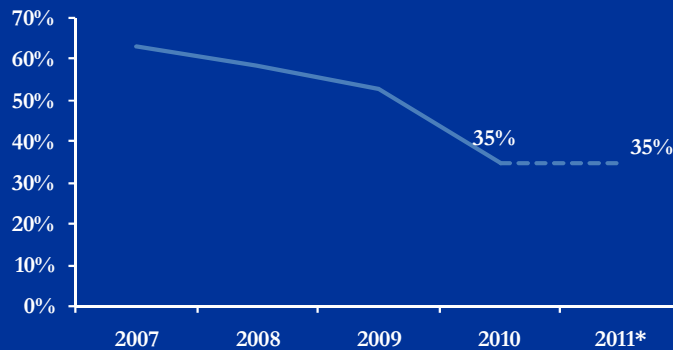
Total public debt Curaçao



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*Of which NAf.1,667 million outstanding securities 21

Total public debt-to-GDP ratio Curaçao

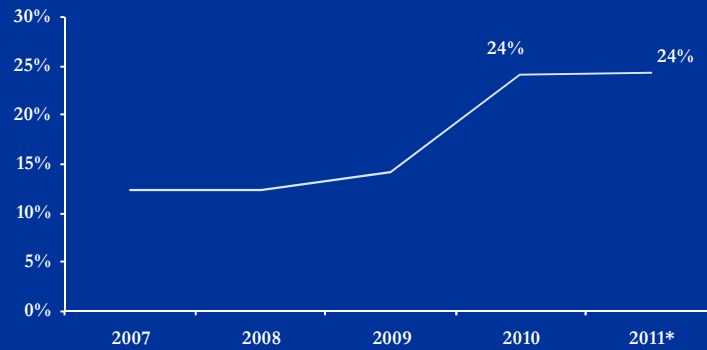


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* CBCS estimate

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Total public debt-to-GDP ratio Sint Maarten

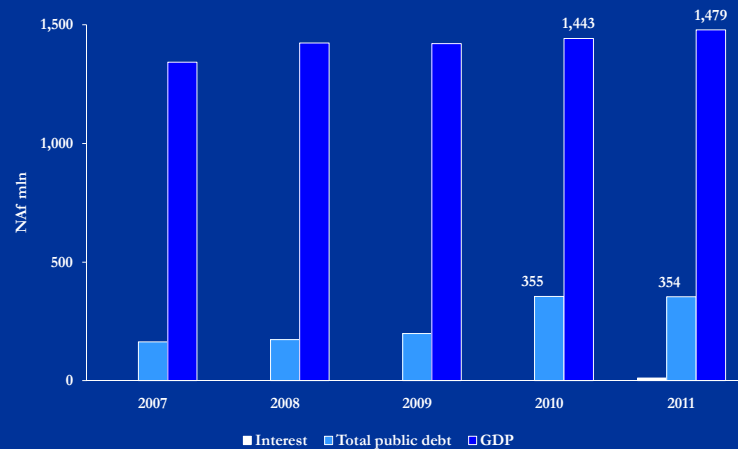


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* CBCS estimate

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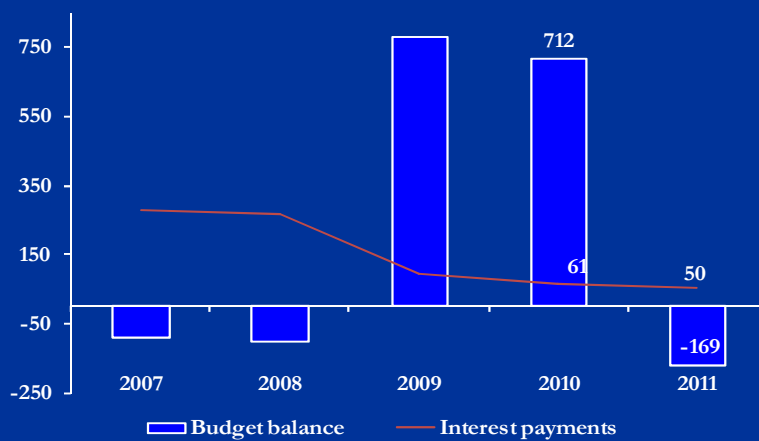
Interest, debt and GDP Sint Maarten



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Interest burden Curaçao



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External sector



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Main developments

- Current account deteriorated in 2011 due to:
 - decreased net current transfers from abroad;
 - mitigated by improved net exports of goods and services.
- Sharp decline of net capital transfers from abroad.
- Large increase in external financing due to:
 - increased loans & credits and direct investments from abroad.
 - decline in net portfolio investments abroad.
- Developments resulted in balance of payments deficit and drop in foreign exchange reserves.

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Balance of payments

(transaction basis, NAf mln)

	2007	2008	2009	2010	2011
Current account	-1,007.8	-1,513.9	-608.6	-1,429.7	-1,517.2
Capital account	218.8	244.8	200.6	1,392.8	116.7
External financing	920.3	1,532.6	794.4	81.8	840.2
<i>Direct investments</i>	425.1	449.0	196.4	228.7	57.2
<i>Loans and credits</i>	644.5	1,210.2	786.7	1,600.7	541.8
<i>Portfolio investments</i>	-149.3	-126.6	-188.7	-1,747.6	241.2
Change in reserves	-277.3	-371.6	-538.9	-162.4	506.7

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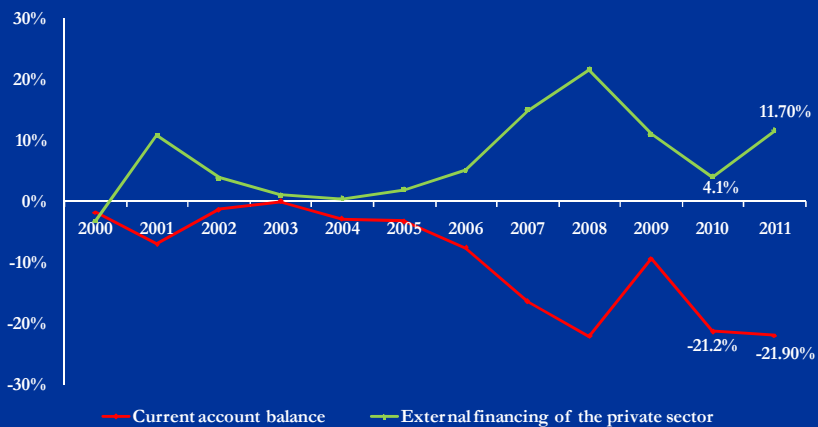
Government net receipts/payments

	Debt repayment by Dutch government	Interest payment by Curaçao & St. Maarten	Net
2012	600,556,476	(58,104,796)	542,451,679
2013	372,913,521	(58,104,796)	314,808,724
2014	347,380,297	(58,104,796)	289,275,500
2015	289,161,934	(58,104,796)	231,057,138
2016	285,456,938	(84,104,796)	201,352,141
2017	382,501,093	(57,714,796)	324,786,296
2018	300,414,298	(57,714,796)	242,699,501

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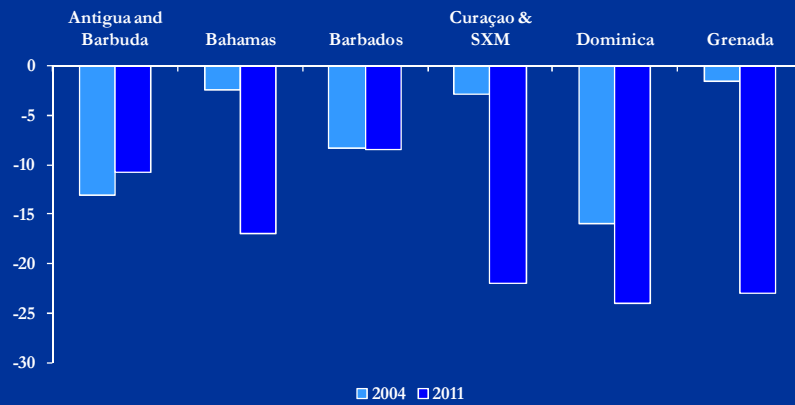
Balance of payments developments (in % of GDP)



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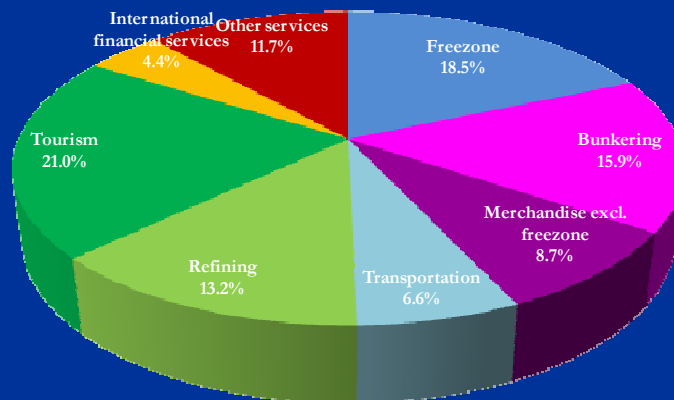
Current account balance (in % of GDP)



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Contribution to foreign exchange income* in 2011 (Curaçao)

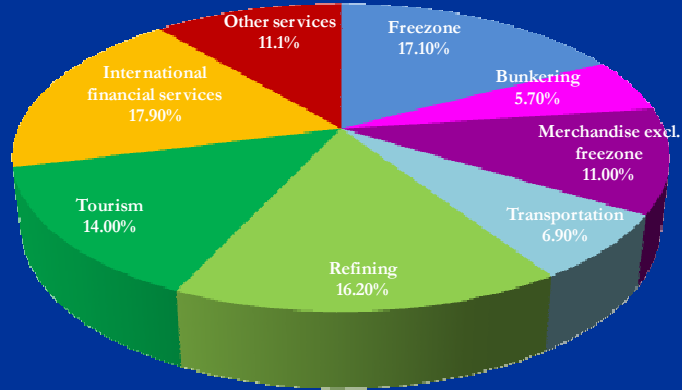


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*Income from the export of goods and services

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Contribution to foreign exchange income* in 2000 (Curaçao)

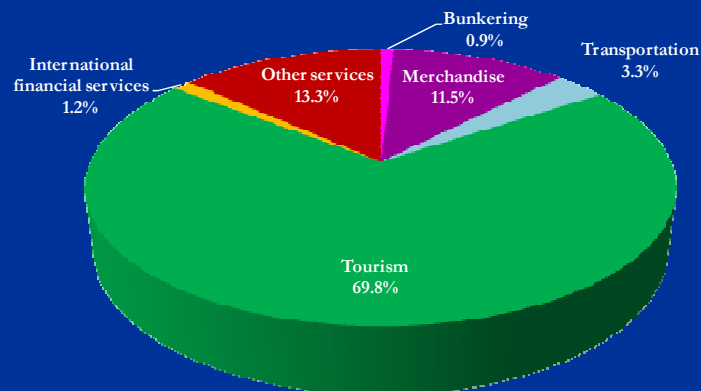


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*Income from the export of goods and services

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Contribution to foreign exchange income* in 2011 (St. Maarten)

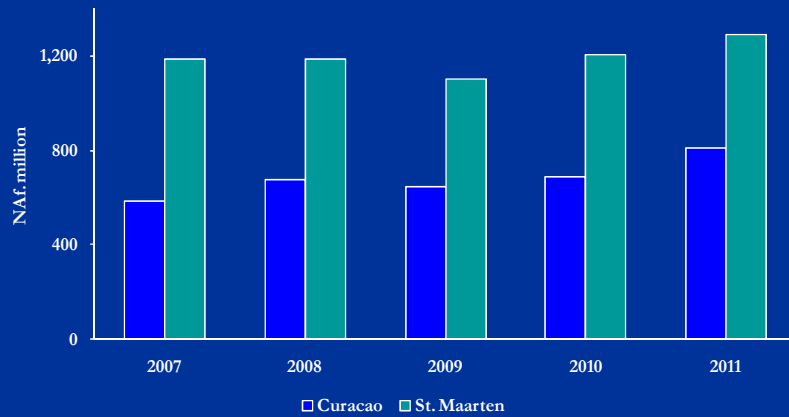


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*Income from the export of goods and services

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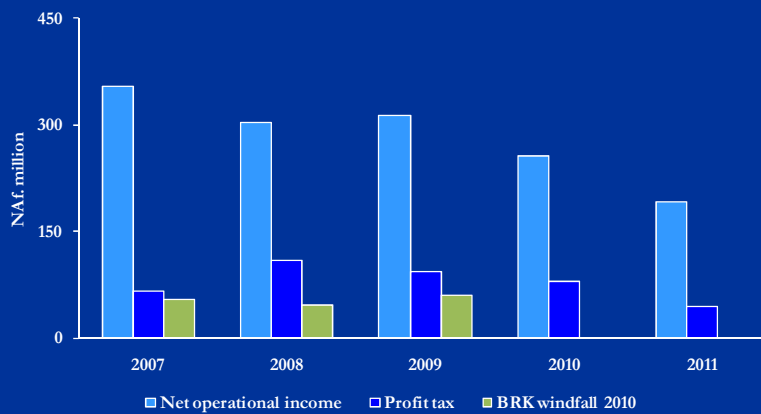
Tourism sector



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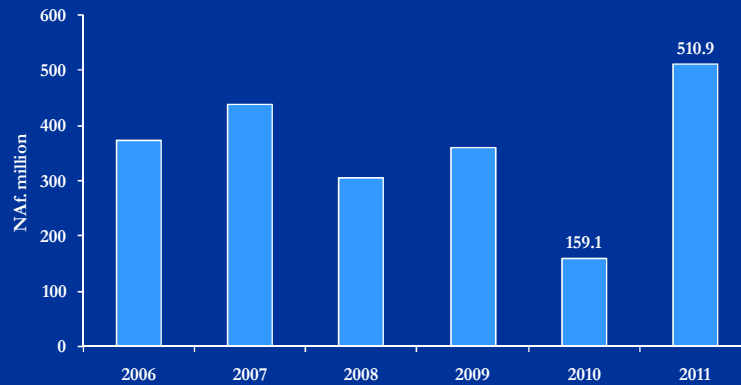
International financial sector



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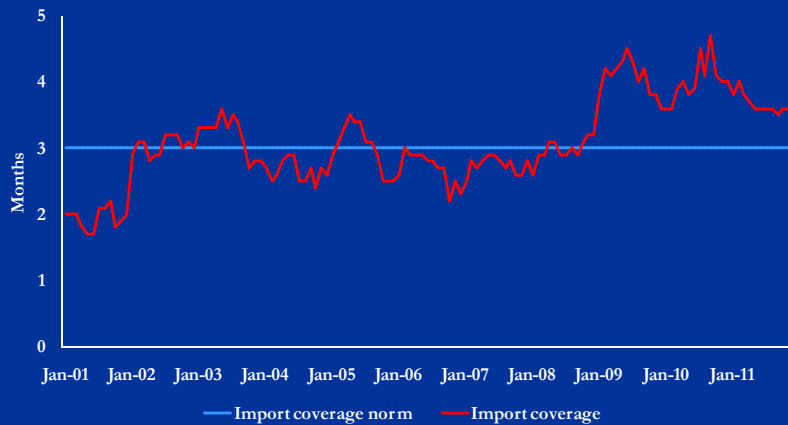
Refining fee



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Monthly import coverage



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Monetary and financial sector



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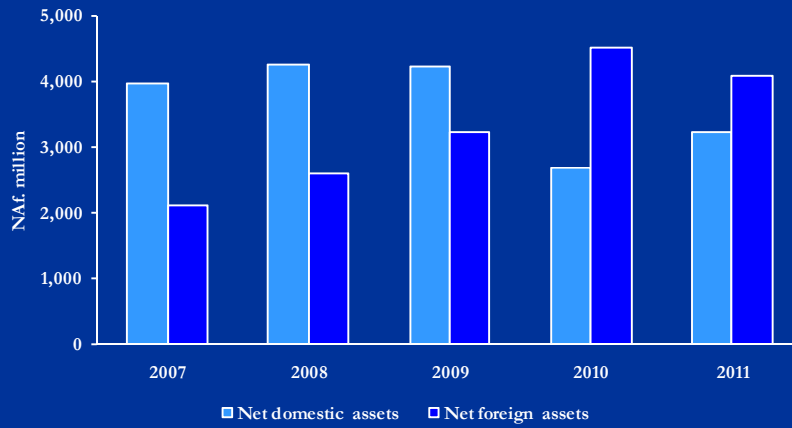
Main monetary developments

- **Increase in money supply.**
- **Increase in credit extension.**
- **Declining trend in interest rates continued.**

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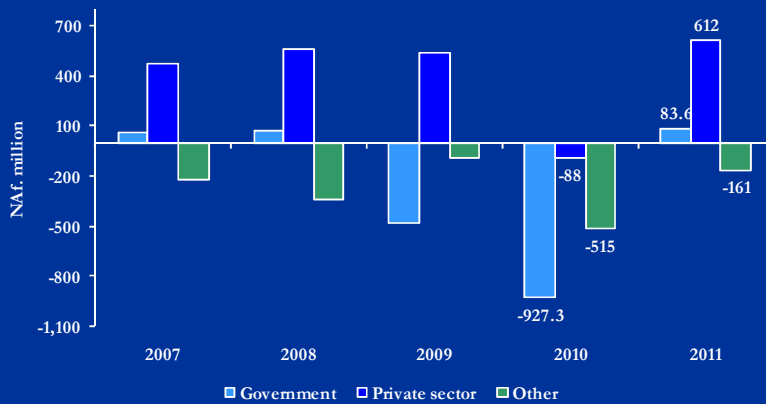
Money supply



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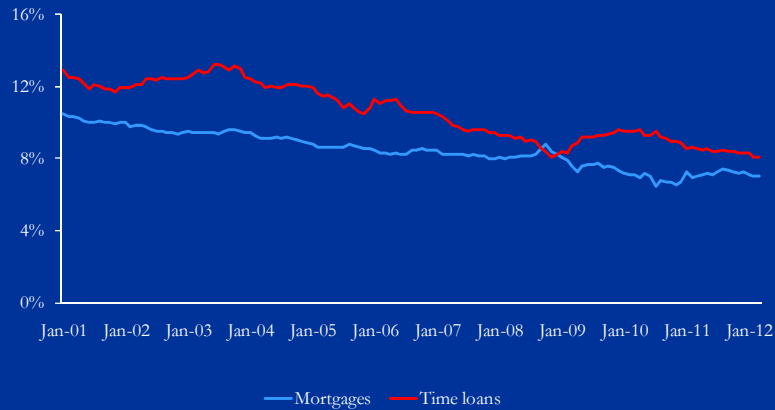
Net domestic credit



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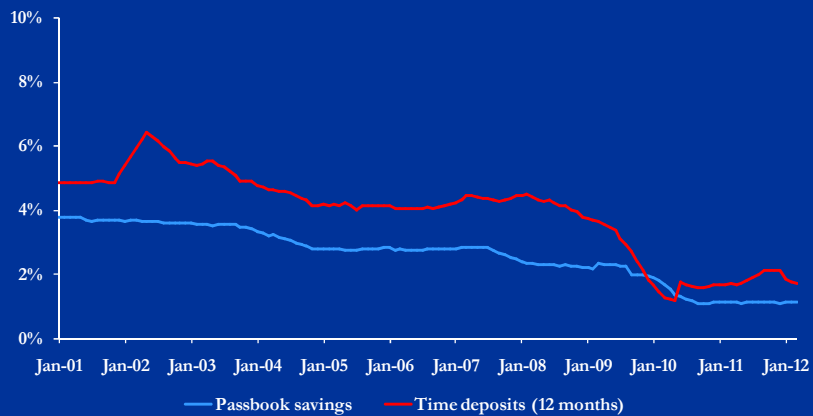
Domestic interest rates (commercial bank lending rates)



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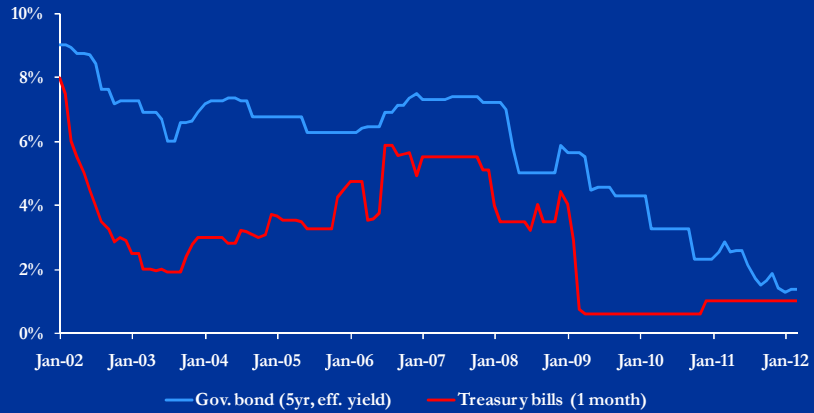
Domestic interest rates (borrowing rates)



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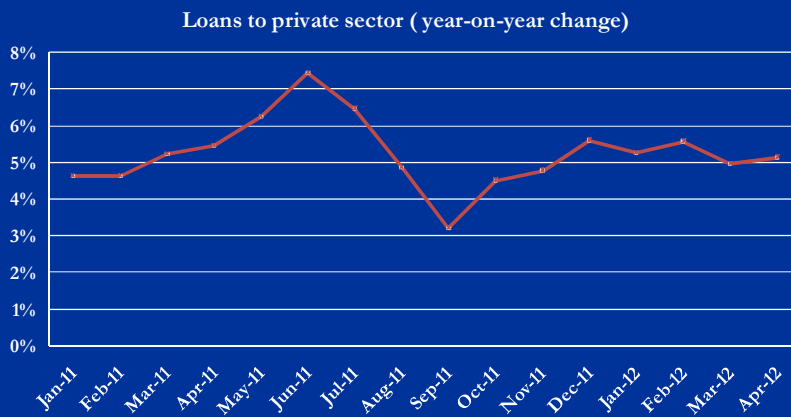
Domestic interest rates (government securities)



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Effectiveness monetary policy tightening



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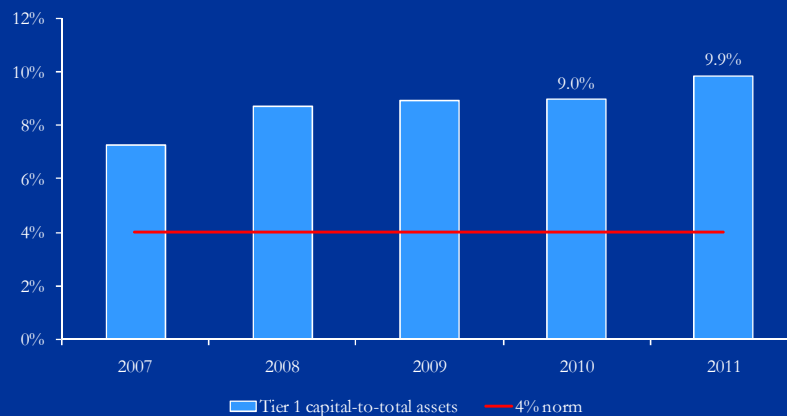
Main financial developments

- **Banks:**
 - Improved capitalization.
 - Further increase in non-performing loans.
 - Increase in earnings and profitability.
- **Institutional investors:**
 - Increase in assets.
 - Decrease in profitability, except life insurance industry.

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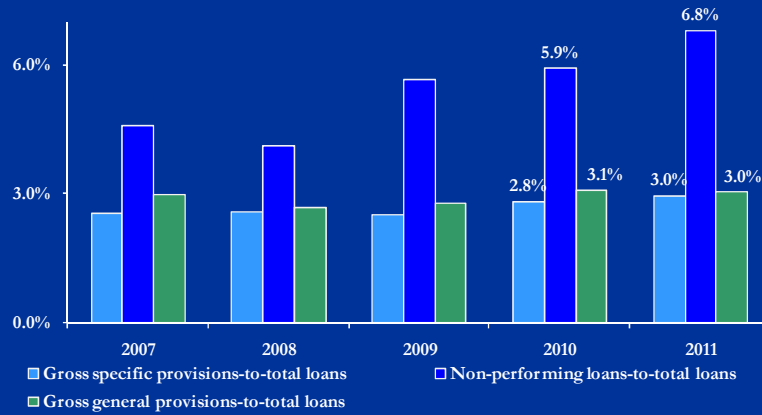
Capital adequacy



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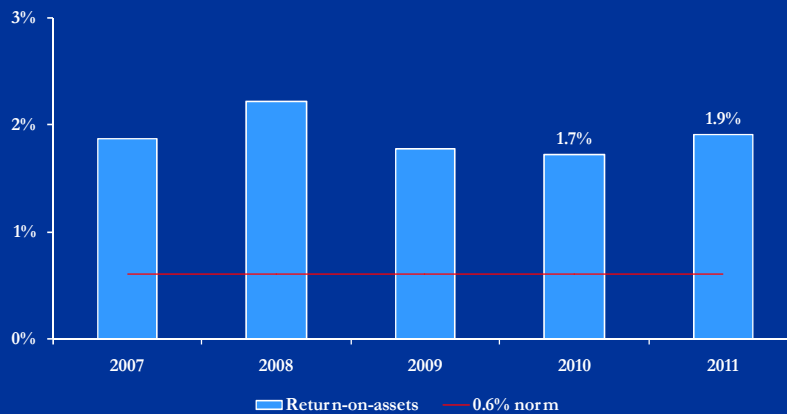
Assets quality



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Earnings & profitability



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Outlook 2012 & 2013



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Expected developments in 2012

Current account balance (in mln NAf.)	-1,522.8
Change in net foreign reserves (in mln NAf.)*	2.4
GDP growth (%)	
Curaçao	-0.1
Sint Maarten	-0.2
Inflation (%)	
Curaçao	4.2
Sint Maarten	3.0

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Expected developments in 2012

- The Curaçao economy is expected to contract by 0.1% in 2012 reflecting a decline in both foreign and domestic demand.
- Inflation in Curaçao will rise to 4.2% as a result of both internal and external factors.
- Curaçao government is projected to have a NAf.44.2 million surplus on the current account of its NAf.1,743.5 million approved budget for 2012*.

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*The CFT has indicated that if the government fails to take additional measures, the budget will be unbalanced in 2012.

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Expected developments in 2012

- The Sint Maarten economy is expected to contract by 0.2% in 2012 because of fiscal constraints and low consumer and business confidence.
- In contrast, stay-over tourism will show some signs of recovery.
- Inflation in Sint Maarten will decelerate to 3.0%.
- Sint Maarten government is projected to have a balanced budget in 2012*.

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*The CFT has indicated that if the government fails to take additional measures, the budget will be unbalanced in 2012.

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Outlook balance of payments 2012

- The current account of the balance of payments of the monetary union will remain virtually unchanged in 2012 compared to 2011.
- Net exports of goods and services will drop while the income and current transfers balances will improve.
- The balance of payments of the monetary union will record a deficit as the current account deficit will not be fully covered by capital transfers and external financing of the private sector.

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Expected developments in 2013

- As opposed to a contraction of 0.1% in 2012, real GDP in Curaçao is expected to expand by 0.2% in 2013.
- Subdued growth is owed to gains in foreign demand and private demand, thanks to more tourist arrivals, private investment activities, and consumer spending.
- Apart from the external factors, the internal factor will cause Curaçao's inflation to remain elevated at 3.0% in 2013. This all depends on the phases of utility price adjustment.

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Expected developments in 2013

- The Sint Maarten economy will show some signs of recovery in 2013, in line with the projected economic growth in the main tourism markets.
- Inflation will remain at approximately the same level as 2012.

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Outlook balance of payments 2013

- The current account deficit will widen slightly due mainly to a decline in net exports of goods and services.
- Net exports of goods and services will decline due to an increase in imports of goods and services partly offset by a rise in exports.
- The increased current account deficit will largely be financed by external financing to the private sector, in particular, loans and credits received from abroad.
- Net foreign reserves are projected to decline again in 2013. Hence, the balance of payments will register a deficit.

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Balance of payments projection

	2009	2010	2011	2012*	2013*
Current account	-608.6	-1,429.7	-1,517.2	-1,522.8	-1,542.7
Capital account	200.6	1,392.8	116.7	40.4	12.3
External financing	794.4	81.8	794.4	1,384.8	1,371.0
<i>Direct investments</i>	196.4	228.7	57.2	170.0	341.0
<i>Loans and credits</i>	786.7	1,600.7	541.8	1,080.4	962.0
<i>Portfolio investments</i>	-188.7	-1,747.6	241.2	134.5	68.0
Change in reserves	-538.9	-162.4	506.7	2.4	60.8

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**Thank you for your
attention**

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