

Dr. Emsley Tromp on economic developments in 2011:

Very moderate growth in Curaçao, negative growth in Sint Maarten

WILLEMSTAD/PHILIPSBURG - Sustainable economic growth is key to achieving macroeconomic stability, reducing poverty, and creating broad-based well-being for the people of the new countries of Curaçao and Sint Maarten. However, the Curaçao and Sint Maarten governments have yet to achieve a strong and stable environment to stimulate sustainable economic growth. This is crucial for both countries to achieve higher economic growth once the world economic climate starts to improve. The 2012 growth prospects of the two countries remain weak, due mainly to the gloomy economic outlook for our main trading partners. This is stated by Dr. Emsley Tromp of the Centrale Bank van Curaçao en Sint Maarten (CBCS) in a summary of the annual report 2011 and the outlook for 2012.

The Curaçao economy expanded by 0.4% in 2011 after a growth of 0.1% in 2010. Curaçao registered an inflation rate of 2.3% in 2011 compared to 2.8% in 2010. Due to a lack of data, only a rough estimate could be made of Sint Maarten's real GDP growth. Based on the available indicators of private sector activity, Sint Maarten's economy is estimated to have contracted by 1.5% in 2011. The inflation rate accelerated from 2.3% in 2010 to 4.6% in 2011.

Curaçao

The economic development in Curaçao was characterized by a growth in net foreign demand and a contraction in domestic demand. Growth was driven solely by a surge in the export of goods and services. Particularly the manufacturing, transport, storage, & communication, wholesale & retail trade, and hotels & restaurants sectors contributed to the growth.

After a sharp decline in 2010, output in the manufacturing sector rebounded in 2011. After all, the refinery had been shut down in 2010 due to technical problems, but came back in operation in 2011. Also, ship repair activities rose in 2011.

The hotels & restaurants and wholesale & retail trade sectors grew as a result of the rise in stay-over tourism. In particular, the number of stay-over visitors from North and South America rose, reflecting increased airlift and more marketing efforts. In addition, the number of cruise tourists grew. Activities in the wholesale & retail trade sector also were backed by increased consumer spending.

The transport, storage, & communication sector performed well as the growth in stay-over tourism contributed to more passengers handled at the airport. Moreover, air transportation activities rose because the domestic airlines transported more passengers. Harbor activities posted some mixed results. On the one hand, the number of ship calls

increased, but cargo movements, oil storage, and transshipment activities declined, on the other hand.

The financial services sector also contributed positively to 2011's growth. This was the result of the increase in net income from domestic financial services as more revenues were collected from fees, commissions, and extraordinary items. However, interest income earned declined. In 2011, the local banks built up a larger capital buffer. However, assets grew very little and the ratio of nonperforming loans-to-total loans increased. Meanwhile, real value added by the international financial and business services sector contracted.

The construction sector recorded a further drop in construction investment activities in 2011. However, the contraction was less pronounced than in 2010. The real estate, renting, and business services sector also contributed negatively to growth as residents purchased fewer properties in 2011.

Sint Maarten

In Sint Maarten, activities in the hotels & restaurants and wholesale & retail trade sectors declined, owing to a drop in stay-over tourism. The drop in the number of stay-over tourists was related to, among other things, a decline in time-share capacity and airlift during 2011. In contrast, cruise tourism expanded, but at a slower pace than in 2010.

The transport, storage, & communication sector in Sint Maarten showed mixed results. The harbor of Sint Maarten performed well because more ships, in particular freighters, were piloted into the port. In line with the decline in stay-over tourism, passenger traffic at the airport dropped. Consequently, airport-related activities declined in 2011.

The utility sector also posted mixed results as the production of electricity declined, while that of water rose. In addition, both water and electricity consumption dropped. Meanwhile, the performance of the financial services sector was weak as reflected by a decline in net income of the domestic commercial banks.