



Press Release 2017-018

## Curaçao economy contracts in first quarter of 2017

**WILLEMSTAD / PHILIPSBURG–** The Centrale Bank van Curaçao en Sint Maarten has reported that the economy of Curaçao contracted by an estimated 0.9% during the first quarter of 2017 compared to the first quarter of 2016. The economic contraction during 2017's March quarter was accompanied by accelerated inflationary pressures caused primarily by increased fuel and electricity prices. Inflation rose from 0.0% in the first quarter of 2016 to 1.7% in the first quarter of 2017.

In its Quarterly Bulletin of the first quarter of 2017, the Bank's analysis by sector reveals that real GDP in Curaçao shrank largely as a result of a decline in private sector activities. In particular, the restaurants & hotels, transport, storage & communication, and wholesale & retail trade sectors recorded negative growth figures during the first quarter of 2017. Real value added dropped in the restaurants & hotels sector because of a decline in the number of stay-over tourists and visitor nights, the Bank explained. The dismal performance of stay-over tourism was attributable largely to a sharp decline in the number of visitors from South America and the Caribbean. The Bank pointed out that the ongoing economic and political crisis in Venezuela was the main cause of the contraction in the South American market, while the cancellation of several flights to destinations in the region by the local carrier, InselAir, resulted in the sharp decline in the Caribbean market. Furthermore, both the North American and European markets contracted. By contrast, the number of cruise tourists rose.

The transport, storage & communication sector registered a contraction because both airport and harbor activities fell. Airport-related activities declined as a result of a drop in passenger traffic and the number of commercial landings related mainly to the cancellation of several flights by InselAir due to financial headwinds. The contraction at the harbor was the result of a drop in the number of ships piloted into the port, moderated by more oil storage activities and container movements. Meanwhile, the decline in the wholesale & retail trade sector was the result of a drop in tourism spending, although the increase in domestic demand and more re-exports by the free-zone companies had a mitigating effect. The utilities sector also recorded a decline as a result of lower electricity production, moderated by an increase in water production.

By contrast, real value added grew in the manufacturing, construction, and financial intermediation sectors, softening the economic contraction during the first quarter of 2017, the Bank explained. Real output expanded in the manufacturing sector driven by an increase in the refining activities at the Isla refinery, while the growth in the construction sector was sustained by the increase in both public and private investment. Meanwhile, the expansion in the financial

intermediation sector was attributable to an increase in real value added in the domestic financial services sector.

In the area of public finances, the Curaçao government recorded a lower surplus on its current budget during the first quarter of 2017 than in the first quarter of 2016 because expenditures rose at a faster pace than revenues. This rise in expenditures was primarily the result of higher transfers, notably social security transfers, and more outlays on goods & services. Meanwhile, the growth in revenues was supported by an increase in both tax and nontax revenues. Tax revenues went up mainly as a result of higher income from profit tax, excises, and sales tax, while the increase in nontax revenues was largely because of a rise in social security premiums collected, the Bank said.

For the complete text of the Bank's Quarterly Bulletin for the first quarter of 2017, please visit the Bank's website <http://www.centralbank.cw/quarterly-report-2017-1>

Willemstad, October 24, 2017

CENTRALE BANK VAN CURACAO EN SINT MAARTEN