QUARTERLY BULLETIN 2004-3

Bank van de Nederlandse Antillen

REPORT OF THE PRESIDENT

The Netherlands Antillean economy continued to grow in the third quarter of 2004 but at a very moderate pace of 0.4% as measured by real Gross Domestic Product on an annual basis. The economic growth was attributable entirely to the increase in domestic spending because net exports declined as a result of a higher growth in imports than in exports. The growth in domestic spending was supported mainly by private investment and government consumption. The increase in private investment was reflected by more business loans extended and higher imports while the increase in government consumption stemmed from an expansionary fiscal policy. Private consumption, which was primarily credit-driven, contributed also to the expansion in domestic expenditures. The annualized inflation rate remained steady at 1.2% in the third quarter of 2004 because lower inflation in two of our main trading partners, the Netherlands and Venezuela, offset the impact of higher oil prices.

A review of the economic growth by sector reveals that 2004's third quarter expansion was attributable mainly to the growth in activities in the wholesale & retail trade, financial, manufacturing, and restaurants & hotels sectors. The good performance of the free zone contributed significantly to the growth in the wholesale & retail trade sector. The growth in this sector, together with that in the restaurants & hotels sector, was attributable also to the further expansion in tourism. Stay-over tourism contributed entirely to this expansion, particularly due to the growth in St. Maarten. Curacao recorded only a marginal growth and Bonaire a decline in the number of stay-over visitors, accounted for primarily by the decline in airlift related to the demise of Dutch Caribbean Airlines (DCA) and Air Holland. Cruise tourism declined marginally due to the drop in the number of visitors in Curacao and Bonaire.

The decline in activities in the transport, storage & communication sector is attributable partly to the demise of DCA and Air Holland, resulting in fewer passengers handled by the airports of Curacao and Bonaire. Only the airport of St. Maarten recorded a growth in the number of passengers. With respect to DCA, the Bank wants to reiterate its support for the establishment of a new Curacao-based airline as long as it will be run in a commercially viable way without political interference. A new airline will absorb part of the DCA-employees who lost their job, increases airlift which is crucial for the development of our tourist sector, and promotes competition contributing to better service at competitive prices. Furthermore, the harbor sector showed mixed developments. The harbor of Curacao noted a marginal increase in the amount of freight handled and the number of ship calls while Bonaire's harbor received fewer ships. Moreover, oil storage and transshipment activities expanded in St. Eustatius but declined in Curacao and Bonaire.

The manufacturing sector performed well in the third quarter of 2004. Activities in the ship repair industry almost doubled as measured by the amount of man-hours sold. Moreover, the oil refinery recorded an expansion in both its production and operational expenses. Furthermore, the financial services sector noted a growth in activities, attributable primarily to the expansion in the domestic banking sector. The international financial and business services sector recorded only a moderate improvement in activities.

The balance of payments deteriorated significantly in the third quarter of 2004, attributable to both the current and capital & financial accounts. The deficit on the current account increased markedly due mainly to the deterioration of the trade and current transfers balances. The higher trade deficit resulted from a strong growth in imports – related, among other things, to the free zone, the increase in investments, the growth in tourism, and higher oil prices – which exceeded the growth in exports. The surplus on the current transfers balance declined because, contrary to the third quarter of 2003, no dividend tax was transferred by the Dutch tax service,1and as a result of a drop in transfers by individuals from abroad. The deterioration of these balances was mitigated by the improvement of the services balance, related mainly to the growth in tourism. The capital & financial account worsened primarily as a result of the decline in international reserves. In addition, net trade credit extended by local companies declined because of repayments and direct investment in the Netherlands Antilles increased as a result of the purchase of Girobank by a foreign bank, contributing further to the worsening.

The deficit of the general government on a cash basis increased substantially in the third quarter of 2004 compared to the same quarter of 2003. This increase was attributable to lower revenues because expenditures remained about the same. The drop in revenues occurred entirely in nontax revenues and can be explained by exceptional receipts in the third quarter of 2003. These receipts included the transfer of dividend tax by the Dutch tax service, dividend payments by government-owned companies, and the settlement of claims and debts with the public housing foundation FKP. In contrast, tax revenues increased, among other things, owing to improved compliance and higher spending. Expenditures remained stable because the drop in current expenditures – due also to the settlement with FKP – was offset by an increase in capital expenditures related to a contribution to the economic development fund.

Although the combined governments committed to a maximum budget deficit of NAf.215 million in 2005, the fiscal outlook remains uncertain because parliament has not yet discussed the central government's budget. Other risks which may endanger the deficit target loom, such as income support for the aged and those with a state benefit, and participation in a hotel project. The Bank wishes to emphasize that the ample domestic financing available on the local capital market in 2004 is not likely to be prolonged in 2005 in light of the rising interest rates abroad, the saturation of investment portfolios, and the spreading of risk. Moreover, to address the mounting government debt, a lasting turnaround towards a balanced budget is urgently needed. Therefore, any new demands on the budget must be compensated by savings elsewhere to prevent that the target will be exceeded.

In the third quarter of 2004, the money supply grew only marginally as the domestic expansion was mitigated largely by the decline in net foreign assets resulting from the balance of payments deficit. The domestic expansion was attributable primarily to the strong growth in private sector credit, accounted for by both the Leeward and Windward Islands. The government sector exerted also an expansionary impact on net domestic credit to finance part of its cash deficit.

The rapid growth in loans to the private sector and the continuing monetization of a substantial part of the government deficit prompted the Bank to raise the reserve requirement percentage two times during the third quarter of 2004 from 10.375% to 11.0%. Furthermore, in light of the rising international interest rates and their impact on the domestic money and capital market, the Bank raised its pledging rate by 0.25 percentage point to 2.5%. Both domestic and international financial-economic developments following the third quarter of 2004 warranted further adjustments of the Bank's monetary policy instruments. In this respect, the reserve requirement percentage and the pledging rate have been increased in two steps reaching 11.5% and 3.0% as of January 17 and 25, 2005, respectively. Finally, the Bank adapted the rate mechanism for auctions of Certificates of Deposit to increase the effectiveness of this policy instrument. From July 14, 2004, the Bank announces for each auction the maximum rates it is willing to pay on the various terms offered instead of one maximum rate for all terms.

[1] These transfers are part of the new tax arrangement for the Kingdom of the Netherlands (BRK).

Although economic growth is still weak, the pick up of private investments supported by domestic credit extension is an encouraging sign. However, to shift the economic expansion into higher gear, we must work tirelessly on further structural reform to improve the functioning of our markets, fiscal consolidation, and social equity. The participation of the Netherlands Antilles in the Caribbean Rim Investment Initiative of the OECD to improve our investment climate and the recent start of the poverty alleviation project with assistance of the United Nations Development Program and the World Bank are welcome steps into this direction. In this respect, it is important to focus on actions that will generate quick and tangible results. These results will strengthen confidence which is crucial for attaining a higher and sustainable level of economic growth and the durable creation of jobs.

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

In the third quarter of 2004, the economy of the United States continued to expand by 4.0%, up from 3.5% in the same quarter of 2003. Similar to the previous two quarters of 2004, higher consumer spending and nonresidential fixed investment led to the third-quarter growth. Consumer spending growth was sustained by still relatively low interest rates and a recovery of the labor market, as the unemployment rate fell to 5.4%. Additionally, the confidence of the business sector continued to improve, resulting in more investment in equipment and software. However, consumer spending and the rise in oil prices exerted upward pressure on the growth of imports, outweighing the export expansion, hence mitigating GDP growth. The annual inflation rate remained stable at 2.3% in the September quarter of 2004, despite higher energy and food prices. The stable inflation was related to the productivity growth rate of 2.9%. Strong competition also may have limited businesses from passing along higher energy costs to their customers. Robust economic growth led the Federal Reserve to raise the Fed funds rate by a quarter percentage point for two consecutive months reaching 1.75% in September 2004.

Table 1 Selected indicators of various countries

	United States		Netherlands		Venezuela	
	2003-III	2004-III	2003-III	2004-III	2003-III	2004-III
Real GDP (% change)	3.5	4.0	-1.1	1.5	-6.7	15.8
Consumer prices (%)	2.3	2.3	2.4	1.3	32.4	23.4
Unemployment rate (%)	6.1	5.4	5.5	6.1	16.7	14.5

Source: US Bureau of Economic Analysis, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, Banco Central de Venezuela, and Reuters.

The Dutch economy continued its path of recovery, as real GDP strengthened by 1.5% in the July-September period of 2004, supported mostly by exports to the European Union. Trade, especially with the 10 new EU members, expanded noticeably in the third quarter. The trade and transportation sectors benefited particularly from the economic growth. The economic revival did not translate into job gains, as the jobless rate deteriorated to 6.1%. The job losses occurred mostly in construction, but also in the business services and manufacturing sectors. The annual inflation rate continued to decelerate from 2.4% in the third quarter of 2003 to 1.3% in the corresponding quarter of 2004. Dutch inflation has been on a downward trend since the third quarter of 2001.

The economy of Venezuela grew by 15.8% during the months July-September 2004, an improvement from the 6.7% decline in the same quarter of 2003. The remarkable rise in gross domestic product in the first three quarters of 2004 was due partly to the relatively low GDP level in 2003, reflecting the impact of the political crisis in 2002. Both the non-oil (18.6%) and oil sectors (2.7%) contributed to the third-quarter growth. In the non-oil business, construction, manufacturing, and financial services reported a significant increase. For most of 2004, Venezuela benefited from high oil prices, improving its public finances. Venezuela experienced a current account surplus of $4.1 billion, fueled by a marked expansion in total exports, led largely by the sale of oil. The economic rebound was accompanied by both a lower unemployment rate (14.5%) and inflation rate (23.4%).

GENERAL ECONOMIC DEVELOPMENTS IN THE NETHERLANDS ANTILLES

The economy of the Netherlands Antilles recorded a growth of 0.4% in the third quarter of 2004, against a contraction of 0.5% in the corresponding quarter of 2003. Similar to the first half of 2004, the positive performance was attributed entirely to aggregate domestic demand, because net foreign demand contracted. The slight economic progress was accompanied by a moderate inflation rate of 1.5% in the third quarter of 2004.

All components of aggregate domestic demand attributed to the third-quarter GDP growth. Similar to the previous quarters, consumer spending was sustained by consumer loans, because disposable income declined. Private investment rebounded, compared to the third quarter of 2003. The growth in private investment spending was reflected in more business loans and imports. Investment in the tourism and transportation sectors picked up amid ongoing uncertainty about the future fiscal situation. Since the second quarter of 2004, the government has followed an expansionary budgetary policy. Public consumption rose, led entirely by higher outlays on goods and services, stemming mostly from an expansion in medical expenses. By contrast, net foreign demand shrank, as rising import demand (11.3%) outweighed the increase in exports (8.5%). The significant import of merchandise was related to the wholesale & retail trade and utility sectors.

Table 2 GDP real growth by expenditure *) (percentage changes)

	2003-III	2004-III
Domestic expenditure, of which:	-2.6	3.0
Private sector	-1.5	1.3
- Investment	-1.8	1.0
- Consumption	0.3	0.3
Government sector	-1.1	1.7
- Investment	0.0	0.1
- Consumption	-1.1	1.6
Changes in inventory	-0.8	0.1
Foreign net expenditure, of which:	2.9	-2.8
Export of goods and services	1.0	8.5
Import of goods and services	-1.9	11.3
GDP by expenditure	-0.5	0.4
Net primary income	-0.1	-0.4
Gross national income	-0.6	0.0
Net current transfers from abroad	-0.2	-1.6
Gross national disposable income	-0.8	-1.6

BNA estimates

*) Expenditure categories data are weighted contributors to GDP growth

Domestic production

Third-quarter GDP expansion was backed by more productive activities in the private sector, namely, wholesale & retail trade and financial services (see table 3), mitigated by a drop in the public sector. The drop in outlays on wages & salaries led to the decline in the public sector.

During the months July-September 2004, the robust performance of the free zone stimulated the real growth of 2.1% in the wholesale & retail trade sector. In line with this positive outcome, the number of free-zone visitors expanded, mostly in the Venezuelan and Jamaican markets. Despite a lack of airlift, stemming from accumulating problems with Dutch Caribbean Airlines (DCA), activities in the free-zone grew, possibly for the following reasons: (1) the decline in DCA flights was picked up by other carriers; and (2) buyers' orders directly from abroad increased. The growth in the wholesale & retail trade sector was reflected also by the sizeable import of merchandise during the third quarter. Furthermore, the financial services sector grew, owing largely to favorable developments in the domestic financial services sector. These developments were driven mainly by increased domestic demand and related credit growth.

Table 3 GDP by sector (real percentage changes)

Sector	2003-III	2004-III
Agriculture, fishery, & mining	6.0	6.1
Manufacturing	-2.4	2.5
Electricity, gas, & water	0.6	1.1
Construction	0.6	1.4
Wholesale & retail trade	1.9	2.1
Restaurants & hotels	4.5	1.4
Transport, storage, & communication	2.4	-1.7
Financial intermediation	2.7	3.1
Real estate, renting, & business act.	2.9	-0.2
Private households	-2.6	-0.3
Total private sector	1.6	1.2
Public sector	-10.5	-3.8
Taxes minus subsidies	-0.9	0.0
GDP	-0.5	0.4

BNA estimates

The tourism industry continued to grow, albeit at a slower pace than in previous quarters, leading to real value added of 1.4% in the hotels & restaurants sector. In the third quarter of 2004, the number of stay-over tourists in the Netherlands Antilles rose by 4.6%, down from 11.3% in the same quarter of 2003. The North American market was the largest contributor to the rising visitor numbers. The South American and the Caribbean markets also recorded an increase in arrivals, reflecting the general recovery in tourism in the region. Moreover, cruise tourism expanded slightly by 0.5%, in contrast to a drop of 10.1% in the third quarter of 2003 (see table 7 in the appendix for a detailed overview).

An analysis by islands reveals that the third-quarter growth in stay-over tourism was led mainly by St. Maarten (9.0%), backed by the North American and European markets. In Curacao (1.2%), encouraging performance by the South American and Caribbean markets outpaced the fall in its main markets, North America and Europe. The remarkable decrease in the number of Dutch visitors was due to a decline in airlift caused by the insolvency of Air Holland and the disruption of flights by DCA. Bonaire's stay-over tourism suffered a setback (-10.5%), owing to a drop in all markets. In the September quarter of 2004, cruise passenger arrivals increased only in St. Maarten.

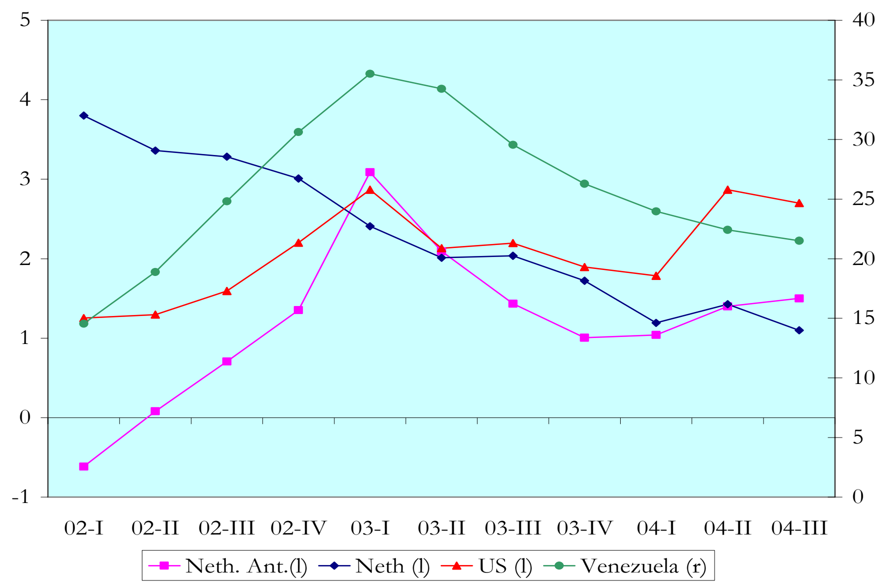
Favorable developments in Curacao's ship repair industry and the oil refinery led to an increase in the valued added in the manufacturing sector. Both the number of man-hours sold and the number of ships repaired were up. The significant rise in activities in the shipyard was linked to more business with European ship-owners and sharper pricing. The oil refinery recorded an expansion in production as well as operational expenses.

The transport, storage, & communication sector continued to dampen GDP growth, as air transportation and airport-related activities shrank. The drop in air transportation was related to the discontinuation of some routes and the disruption of flights by the national airline, DCA. In line with the adverse state of air transportation, airport activities were down, as total passenger traffic and commercial landings declined. In contrast, the harbor sector performed well in the quarter ending September 2004.

Inflation

The annual inflation rate in the Netherlands Antilles decelerated from 2.0% in the third quarter of 2003 to 1.2% in the third quarter of 2004. The low third-quarter inflation was accounted for by the development in the prices of our imported goods. Since the fourth quarter of 2003, the trend of inflation in the Netherlands Antilles has been similar to that of two of its major trading partners, the Netherlands and Venezuela.

Graph 1
Developments in consumer prices (annual quarter to quarter percentage change)



Source: Central Bureau of Statistics, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, and Banco Central de Venezuela.

An analysis of price developments on a quarter-to-quarter basis indicates that the Antillean inflation rate remained steady at 1.5% in the third quarter of 2004. Increases were registered in the categories "food" and "transport & communication", but these were offset mainly by a price deceleration in housing and housekeeping & furnishings. The lower inflation in the category "housing" was the result of a major price gain in utility costs in the third quarter of 2003. Meanwhile, the rise in transportation & communication was the consequence of a price rise in transportation, fueled by higher gasoline prices. An analysis by island shows that during the months July-September 2004, Curacao showed the lowest quarterly inflation rate of 1.4%, followed by Bonaire with 1.7% and St. Maarten with 2.2%. See table 8 in the appendix for a detailed overview.

DEVELOPMENTS IN PUBLIC FINANCE

In the third quarter of 2004, the continued expansionary fiscal policy led to a deterioration of the general government deficit on a cash basis, by 77.7% to NAf.76.7 million compared to the third quarter of 2003. A breakdown by level of government shows that the deficit of the island government of Curaçao deteriorated by NAf.40.6 million, while the deficit of the central government improved by NAf.7.1 million. See table 9 in the appendix for a detailed overview.

The worsening of the general government budget balance was mainly the result of a decline in public sector revenues (NAf.33.7 million), which outweighed the slight drop in expenditures (NAf.0.2 million). A closer look at the general government revenues reveals that the decrease was caused by a drop in nontax revenues, while tax revenues showed an increase. The decline in nontax revenues was due mostly to a drop in dividend payments by government-owned companies and lower grants received from abroad. Compared to the third quarter of 2003, government-owned companies paid NAf.15.9 million less in dividends then in the same quarter of 2004, while a drop of NAf.37.8 million was registered in the transfer of dividend taxes by the Dutch tax service related to the new tax arrangement for the Kingdom of the Netherlands.[2] In contrast to nontax revenues, tax revenues of the island government of Curaçao increased, led by higher proceeds from wage and income taxes resulting mostly from improved tax compliance. Total revenues of the central government remained about the same, as the increase in tax revenues was offset by a drop in nontax revenues. Tax revenues increased due to higher proceeds from the sales tax and import duties - resulting from higher private spending - and more revenues from gambling and other licenses. Furthermore, the decline in grants from abroad at the central government was offset partly by advances in the license fee collected by the central bank.

A review of general government expenditures reveals that total expenditures remained steady as the drop in current expenditures (NAf.6.9 million) was offset by the rise in capital expenditures (NAf.6.7 million). A breakdown by level of government shows that the drop in current expenditures was caused by a decline in subsidies to public companies by the island government of Curaçao. This decline was related to a settlement with the public housing foundation (FKP) that occurred in the third quarter of 2003. The decline in subsidies was mitigated by an increase in the outlays for goods and services, stemming mostly from higher medical, housing, and other operational expenses. Part of the increased expenses for goods and services also can be attributed to a change in the accounting method: some outlays classified as subsidies are now classified as expenditures for goods and services. Increased government consumption of goods and services contributed to the economic growth in the third quarter of 2004, but this was accompanied by a larger fiscal deficit. A closer look at the increase in general government capital expenditures reveals that the increase resulted from a contribution by the central government to a special fund for economic development, which led to a growth in government investment.

[2] Of these revenues, the central government keeps 25% and 75% is transferred to the island government of Curaçao.

In the third quarter of 2004, the budget deficit of the general government was financed primarily monetarily as shown in table 4. Worth mentioning is that the trend of decreasing monetary financing, which started in the second half of 2003, was reversed during the second quarter of 2004. This reversed trend was due largely to the renewed interest of commercial banks in government securities. A further breakdown by level of government shows that the increase in monetary financing was related mostly to a net increase in the holdings of central government securities by the commercial banks and the central bank. However, the increase in holdings of central government securities by the central bank was offset partly by an increase in central government deposits at the central bank, mitigating monetary financing. Notable is the drop in nonmonetary financing of the central government's deficit as the financing of the central government budget deficit by the public amounted to only NAf.7.0 million, compared to NAf.42.6 million in the third quarter of 2003, indicating reduced interest by institutional investors in these securities. The deficit of the island government of Curaçao was financed mainly by an increase in holdings of securities of the island government of Curaçao by the central bank (NAf.32.6 million), resulting in an increase in monetary financing compared to the third quarter in 2003. Contrary to their investments in central government securities, institutional investors showed an increased interest in securities of the island government of Curaçao, resulting in a rise in holdings of these securities by NAf.23.4 million. In contrast, there was a net sale of these securities by NAf.14.9 million in the third quarter of 2003.

Table 4 Financing of the cash balances (in millions NAf.)

	Central government		Island government of Curaçao	
	2003-III	**2004-III**	**2003-III**	**2004-III**
Monetary financing	9.7	24.7	8.7	23.2
Central bank	12.8	2.6	-1.8	22.5
Commercial banks	-3.8	22.1	10.5	0.7
Coins and notes	0.7	-	-	-
Nonmonetary financing	29.4	7.3	-4.6	21.5
Government securities with the public	42.6	7.0	-14.9	23.4
Other	-13.2	0.3	10.3	-1.9
Budget balance	-39.1	-32.0	-4.1	-44.7

Public sector debt

The total outstanding debt of the general government increased by NAf.109.8 million, reaching 92.7% of GDP at the end of the third quarter of 2004. The accumulation of debt was the result of an increase of NAf.95.6 million in the total consolidated domestic debt and an increase of NAf.14.2 million in the outstanding foreign debt. See table 10 in the appendix for a detailed overview.

Further analysis by level of government reveals that the higher domestic debt of the central government was caused largely by borrowing on the capital market while arrears declined. The net rise in debt securities issued by the central government amounted to NAf.48.7 million in the third quarter of 2004. The rise in debt securities was mitigated by a declining debt to the government pension fund, APNA (NAf.10.9 million), and the social security bank (NAf.9.3 million). The island government of Curaçao increased its net borrowing on the capital market by NAf.53.9 million as the increase in outstanding bonds was not offset by the drop in outstanding treasury bills.

The increase in the foreign debt was the result of an appreciation of the euro vis-à-vis the Netherlands Antillean guilder during the third quarter of 2004, which led to a rise in the debt to the Netherlands.

DEVELOPMENTS IN THE BALANCE OF PAYMENTS

Net exports of goods and services declined in the third quarter of 2004, as the growth in imports offset the rise in exports. The decline in net foreign demand contributed negatively to economic growth in the third quarter of 2004. The current account deteriorated as the drop in net foreign demand was accompanied by a worsening of the current transfers and income balances. The capital and financial balance worsened as well, due mainly to a large decline in foreign reserves (see table 5).

Table 5 Balance of payments summary (in millions NAf.)

	2002-III	2003-III	2004-III
Current account	-46.6	-19.5	-135.8
Capital account	10.6	11.5	13.0
Financial account, of which:	7.6	18.5	95.8
- Change in reserves [1]	-21.8	59.7	92.5
Statistical discrepancies	28.4	-10.5	27.0
Memorandum items			
Change in reserves [1]:			
- with commercial banks	-6.1	-12.1	95.5
- with central bank	-15.7	71.8	-3.0

1) A minus sign implies an increase.

Current account

The increase in the current account deficit (NAf.116.3 million) was mainly the result of higher merchandise imports (NAf.197.9 million), as domestic and foreign demand rose (for more details see table 11 in the appendix). On the Leeward Islands, the increase in imports of non-oil products was due to a rise in imports of free-zone companies to replenish their inventories and meet increased foreign and domestic demand. In addition, merchandise imports rose as private domestic investments picked up in the third quarter of 2004. Another factor that impacted the value of merchandise imports is the appreciation of the euro. Noteworthy in this context is that the volume of imports from Europe decreased, while the value of imports increased, leading to a decline in the terms of trade vis-à-vis Europe.

On the Windward Islands, the increase in non-oil imports can be attributed to the continuous rise in stay-over tourism and investments in the telecommunication sector. Oil imports increased as well, due largely to higher oil prices compared to the third quarter of 2003.

The increase in merchandise exports partly offset the increase in merchandise imports. Despite the demise of DCA, the higher exports were mostly the result of a rise in exports by free-zone companies. In particular, exports to their main market, Venezuela, increased. Demand from Venezuela increased notably as the Venezuelan economy grew strongly compared to the third quarter of 2003. Furthermore, foreign exchange earnings from ship repair activities grew as business from Europe expanded. Finally, earnings of goods procured in ports increased due mainly to higher oil prices.

The worsening of the trade balance was offset partly by an improvement in the services balance as export of services increased while payments for services received from abroad declined. The increase in export of services was caused mostly by a sustained rise in stay-over tourism on the Windward Islands during the third quarter of 2004. Overall, net foreign demand for goods and services dropped significantly, mitigating the third-quarter GDP growth.

The current account deficit also worsened because both the current transfers and income balances deteriorated compared to the third quarter of 2003. The drop in net current transfers received was due mainly to a large transfer of dividend tax by the Dutch tax service[3] in the third quarter of 2003, a transfer that did not occur in the third quarter of 2004. In addition, the net inflow of transfers by individuals declined.

Capital and financial account

In accordance with the increase in the current account deficit, the financial account deteriorated also (NAf.77.3 million) in the third quarter of 2004 (for more details see table 12 in the appendix). This deterioration was the result of a large drop in foreign assets (NAf.137.7 million) offsetting the decrease in foreign liabilities (NAf.60.4 million).

The drop in foreign assets was related mostly to changes on the assets side of the 'net lending and borrowing' account and the change in foreign reserves. The assets of the 'net lending and borrowing' account, which include trade credit and loans extended to nonresident companies, declined as the increase in repayments on extended trade credit outweighed the rise in trade credit extension to foreign customers. Despite the higher repayments, the stock of foreign exchange reserves declined, leading to a further drop in foreign assets. Foreign reserves were used mostly to finance merchandise imports and to reduce foreign private debt.

The drop in foreign liabilities was mainly the result of changes on the liabilities side of the 'net lending and borrowing' account. Liabilities on the 'net lending and borrowing' account declined due to a net decrease in trade credit received from abroad as the increase in repayments of trade credit received offset the increase in trade credit received. In addition, repayments of foreign loans increased, which led to a further drop in foreign liabilities. The drop in liabilities was partly offset by an increase in direct investments in the Netherlands Antilles due mainly to the purchase of Girobank by a foreign bank. Overall, the decrease in foreign liabilities could not offset the decrease in foreign assets, leading to a deterioration of the financial account.

MONETARY DEVELOPMENTS

Monetary policy and money supply

The monetary policy of the Bank was directed at mopping up excess liquidity in the domestic banking sector during the third quarter of 2004. The reserve requirement percentage[4] was raised on two occasions. As of July 16, the percentage was raised by 0.25 percentage point to 10.625%. The second increase came into effect on September 16, when the percentage was raised by 0.375 percentage point to 11.00%. The first increase was taken as a reaction to the increase in credit

[3] These tax payments were related to the new Tax Arrangement for the Kingdom of the Netherlands (BRK).
[4] Under this policy instrument, commercial banks have to place a non-interest-bearing deposit, the reserve requirement, on a blocked account at the Bank. The size of the reserve requirement is calculated by multiplying the (adjusted) domestic debt of the commercial banks by the reserve requirement percentage.

extension to the governments, while the second increase was directed at the increase in private credit extension.

Effective July 14, the pledging rate also was raised by 0.25 percentage point to 2.50%. This action was taken in light of developments in the international financial markets, specifically the increase in the Fed's Federal Funds Rate. The increase in the pledging rate was a turnaround to the declining trend that had begun January 1, 2002.

Finally, to increase the effectiveness of its monetary policy, the Bank adapted the rate mechanism for auctions of Certificates of Deposit[5] (CDs) as of July 14, 2004. Beginning on this date, the Bank announces for each auction the maximum rates it is willing to pay on the different terms offered. Prior to that change, one maximum rate was derived for all terms by lowering the pledging rate with a margin of 100 basis points.

During the July-September period of 2004, the money supply rose by NAf.8.4 million, a turnaround compared to the drop of NAf.28.1 million registered in the same period of 2003. The increase in 2004 was the result of a rise of NAf.60.5 million in net domestic assets, which offset the decrease of NAf.52.1 million in net foreign assets. A similar development occurred in 2003, as net domestic assets increased by NAf.31.6 million and net foreign assets decreased by NAf.59.7 million. However, the increase in net domestic assets in 2003 was only about half that in 2004, resulting in a drop in the money supply.

Factors affecting the money supply

Net domestic assets expanded as a result of increases in net credit extended to both the private sector and the governments. The increase in net private credit amounted to NAf.93.8 million, while the rise in net government credit reached NAf.38.4 million in the third quarter of 2004. The expansion in net private credit contrasted sharply with the increases during the previous quarter (NAf.0.4 million) and the third quarter of 2003 (NAf.5.0 million). The rise in 2004 was the result of increases on both the Leeward Islands and the Windward Islands of NAf.61.0 million and NAf.30.5 million, respectively. The increase on the Leeward Islands can be explained largely by increased investment activity, which resulted in a rise of NAf.66.0 million in business loans extended. In addition, increased consumer spending was financed largely by consumer loans, which increased by NAf.20.3 million. The only loan component that fell during the third quarter of 2004 was mortgages (NAf.25.3 million). On the Windward Islands, business loans and consumer loans expanded by NAf.22.4 million and NAf.9.3 million, while mortgages fell by NAf.1.2 million. See table 13 in the appendix for more detailed information.

Both government levels recorded increases in net credit received in the July-September period of 2004: the central government by NAf.16.5 million and the island government of Curaçao by NAf.21.9 million. The trend of decreasing interest in government securities, which started in the second half of 2003, was reversed in the second quarter of 2004 and continued through the third quarter. Worth mentioning is that the increase in government credit occurred simultaneously with the large expansion in net private credit. In the past, these credit components usually developed in opposite directions.

Net foreign assets dropped by NAf.52.1 million during the third quarter of 2004, the result of a drop of NAf.55.1 million in the commercial banks' net foreign position and a slight increase of NAf.3.0 million in the Bank's official reserves. This result can be explained by two trends. First, despite the increase in the Federal Funds Rate, foreign interest rates are still relatively low. Consequently, the commercial banks repatriated foreign investments to invest locally in higher

[5] The Bank organizes bi-weekly CD-auctions with the commercial banks.

yielding securities and loans to the private sector.[6] Second, due to seasonal factors the third quarter usually generates the lowest amount of foreign exchange.

Developments in domestic interest rates

The Bank's pledging rate was raised by 0.25 percentage point to 2.50% in the third quarter of 2004. This step was taken because of the developments in the international financial markets, specifically the increase in the Federal Funds Rate. These developments were also the reason for the increase in the maximum 1-month CD-rate, as the Bank had to compete with the higher international rates offered. See table 14 in the appendix for further details.

For the fourth consecutive quarter, the average rate on passbook savings declined. Also the average rate on time deposits continued to decrease. The trend of declining deposit interest rates is related partly to the excess liquidity in the domestic banking sector, which reduces the need for banking institutions to attract funding through attractive interest rates.

The average rate on mortgages remained constant at 9.1% for the third consecutive quarter. However, on an annual basis, a drop of 0.5 percentage point was registered. Time loans also have been registering a drop in the average rate offered. The excess liquidity and increased competition prompted the commercial banks to offer credit against lower rates.

The average yield on government bonds and the discount rate on 1-month treasury bills increased by 0.2 and 1.2 percentage points, respectively, in the third quarter of 2004 compared to the third quarter of 2003. The average yield on government paper has been rising as the market has been reluctant to invest in government securities. This reduced appetite for government securities was, among other things, due to the expected increase in international interest rates and the deterioration in the public finances. However, the interest in investing in government paper, specifically by the commercial banks, increased during the third quarter of 2004, perhaps because the increase in international yields was lower than anticipated. This increased interest explains the drop in the average rate of government bonds in the third quarter compared to the second quarter of 2004, as the government could afford to offer a lower return. In contrast, the net redemption of treasury bills led to a higher discount rate in the third quarter compared to the second quarter of 2004.

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

Total assets of the commercial banking sector expanded by NAf.137.4 million during the third quarter of 2004, compared to a decline of NAf.24.0 million in the third quarter of 2003. The increase in 2004 was due mainly to a rise of NAf.130.4 million in loans extended to both the private sector and the government sector. In addition, profitability of the commercial banking sector improved during the third quarter of 2004 compared to the corresponding quarter in 2003. This improvement was the result of increases in both net interest income and other income, surpassing the rise in operational expenses. See table 15 and 16 in the appendix for more details.

Macroprudential indicators

Macroprudential indicators provide an indication of the general performance of the domestic commercial banking sector. The indicators cover the following areas: capital adequacy, asset

[6] In addition, the commercial banks invested part of their available funds in the Bank's CDs.

quality, earnings, and liquidity. Table 6 shows that the developments in these indicators were mixed during the third quarter of 2004.

Table 6 Macroprudential indicators (in %, end of period)

	2003-II	2003-III	2003-IV	2004-I	2004-II	2004-III
Capital adequacy						
Total capital/total assets	7.5	7.6	7.2	7.3	7.5	8.4
Asset quality						
Nonperforming loans/total loans	6.8	6.1	6.1	5.0	4.5	5.3
Provisions for loan losses/non-performing loans	55.5	64.1	61.1	72.0	78.3	74.9
Earnings						
Gross-earnings-assets yield	8.0	7.9	7.4	7.9	7.6	8.1
Net interest margin	5.0	4.9	4.7	5.1	5.0	5.3
Return on assets	1.4	1.6	1.5	2.0	1.8	2.0
Liquidity						
Total loans/ total deposits	64.2	63.9	63.9	65.3	65.7	61.0

The capital-to-total assets ratio improved by 0.9 percentage point reaching 8.4% during the third quarter of 2004. This improvement was related mainly to the recapitalization of Girobank by the Venezuelan Total Bank. By reaching this level of capital adequacy, the domestic banking sector complies again with the internationally accepted minimum standard of 8.0%. The last time this occurred was in the fourth quarter of 2002.

Both ratios revealing asset quality indicate a worsening trend in the third quarter of 2004. The non-performing loans ratio rose by 0.8 percentage point to 5.3%, a turnaround compared to the drop during the third quarter of 2003. The worsening of the ratio in the third quarter of 2004 was due to an increase in non-performing loans – following two quarters with a decrease– as total loans increased also. This development also affected the provisions for loan losses-to-non-performing loans ratio, which dropped by 3.4 percentage points to 74.9% despite a larger sum of provisions for loan losses.

All three earnings-related ratios reveal the increased profitability of the commercial banks during the third quarter of 2004, compared to a slight worsening in the third quarter of 2003. The gross-earnings-assets yield, reporting interest income as a percentage of average earning assets, increased by 0.5 percentage point. This increase was due mainly to the rise in interest income, which was related to the rise in loans extended. The increase of 0.3 percentage point in the net interest margin, defined as net interest income as a percentage of average earning assets, was also attributable mainly to the rise in interest income. Finally, the return-on-assets ratio also indicates an improvement in profitability. The increase in this ratio is the result of higher net interest income, offsetting the growth in total assets.

The excess liquidity in the domestic banking sector increased during the third quarter of 2004, reflected by the drop of 4.7 percentage points in the total loans-to-total deposits ratio. Despite the relatively large rise in loans extended, total deposits increased even more, resulting in a drop in the ratio. In the third quarter of 2003, a similar but less pronounced development occurred.

APPENDIX

Table 7 Developments in stay-over tourism per island (% change)[7]

	Curaçao				St. Maarten				Bonaire			
	2003-III		2004-III		2003-III		2004-III		2003-III		2004-III	
North America, of which:	13.7	(0.9)	-2.9	(-0.2)	14.3	(4.2)	12.6	(3.9)	-0.9	(0.0)	-4.9	(-0.2)
-U.S.A.	12.3	(0.8)	-2.9	(-0.2)	13.9	(3.7)	12.2	(3.5)	---	---	---	---
Europe, of which:	48.6	(6.8)	-1.1	(-0.1)	15.7	(1.8)	11.7	(1.5)	59.8	(2.5)	-14.3	(-0.5)
-The Netherlands	55.5	(6.5)	-2.6	(-0.3)	30.4	(0.5)	35.6	(0.7)	---	---	---	---
South & Central America, of which:	-23.5	(-1.6)	7.2	(0.5)	-12.4	(-0.2)	-0.3	(0.0)	4.7	(0.0)	-18.3	(-0.1)
-Venezuela	-14.8	(-0.7)	6.0	(0.3)	-24.8	(-0.1)	-5.2	(0.0)	---	---	---	---
-Colombia	-72.8	(-0.4)	-23.0	(-0.1)	---	---	---	---	---	---	---	---
Caribbean, of which:	-13.5	(-0.9)	1.8	(0.1)	16.7	(1.2)	2.0	(0.1)	5.9	(0.0)	-12.5	(-0.1)
-Dominican Republic	-18.3	(-0.2)	-19.2	(-0.2)	40.0	(0.3)	8.5	(0.1)	---	---	---	---
Total	6.0	(2.1)	1.2	(0.4)	13.4	(7.5)	9.0	(5.3)	20.8	(1.8)	-10.5	(-0.8)

Source: Curacao Tourist Board, St. Maarten Tourist Bureau, and Tourism Corporation Bonaire

Table 8 Netherlands Antilles consumer prices (annual quarter-to-quarter percentage change)

	2003-II	2003-III	2003-IV	2004-I	2004-II	2004-III
Food	1.7	2.2	2.7	3.0	4.1	4.5
Beverages & tobacco	-0.7	-0.4	-0.1	-0.2	-0.6	-0.6
Clothing & footwear	0.5	0.8	0.8	0.7	-0.1	-0.8
Housing	6.7	4.0	2.4	1.6	1.7	1.8
Housekeeping & furnishings	2.7	2.1	2.5	1.3	-0.4	0.1
Health	0.0	1.5	1.3	1.2	1.1	0.3
Transport & communication	-1.8	-1.7	-2.0	-0.6	0.9	1.2
Recreation & education	0.2	0.1	-0.2	0.0	0.1	0.2
Other	0.8	0.6	0.4	0.5	0.6	0.7
General inflation rate	2.1	1.4	1.0	1.0	1.4	1.5

Source: Central Bureau of Statistics

[7] Weighted growth rates between brackets

Table 9 Budgetary overview (in millions NAf.)

	2001-III	2002-III	2003-III	2004-III
General government				
Revenues	301.0	281.1	367.1	333.4
Tax revenues, of which:	283.4	263.3	264.9	298.3
Taxes on income and profits	152.9	125.7	125.7	138.4
Taxes on goods and services	89.9	98.8	101.5	117.5
Taxes on international trade and transactions	31.0	29.4	28.5	32.4
Nontax revenues	17.6	17.8	102.2	35.1
Expenditures	307.1	353.5	410.3	410.1
Current, of which:	297.0	348.5	392.1	385.3
Wages and salaries	112.3	146.3	139.5	136.9
Goods and services	61.4	75.9	96.7	114.3
Transfers	73.5	60.2	73.4	70.1
Interest payments	36.7	48.5	46.6	51.5
Capital	10.2	5.0	18.1	24.8
Budget balance	-6.2	-72.4	-43.2	-76.7
Central government				
Revenues	134.1	138.8	181.5	180.3
Tax revenues, of which:	120.5	127.4	131.1	149.1
Taxes on goods and services	85.1	92.6	96.7	109.4
Taxes on international trade and transactions	31.0	27.4	28.6	32.4
Nontax revenues	13.6	11.4	50.4	31.2
Expenditures	148.1	183.9	220.6	212.3
Current, of which:	139.7	182.0	217.7	195.8
Wages and salaries	52.9	69.3	63.3	72.1
Goods and services	17.8	22.6	30.4	25.8
Transfers	53.4	67.7	99.9	74.1
Interest payments	15.6	20.2	21.1	23.3
Capital	8.4	1.9	2.9	16.5
Budget balance	-14.0	-45.1	-39.1	-32.0
Island government of Curaçao				
Revenues	194.9	184.3	244.9	189.0
Tax revenues, of which:	162.9	125.7	133.8	149.2
Taxes on income and profits	152.9	125.7	125.7	138.4
Nontax revenues, of which:	32.1	48.4	111.1	39.8
Grants	28.1	42.0	59.3	35.9
Expenditures	187.1	211.6	249.0	233.7
Current, of which:	185.3	208.5	233.7	225.4
Wages and salaries	59.4	77.0	76.2	64.8
Goods and services	43.6	53.3	66.3	88.5
Transfers	48.2	34.5	32.8	31.9
Interest payments	21.1	28.3	25.5	28.2
Capital	1.8	3.1	15.2	8.3
Budget balance	7.8	-27.3	-4.1	-44.7

Source: Central Government and island government of Curaçao.

Table 10 Total outstanding consolidated public debt* (in millions NAf.)

	2003-III	2003-IV	2004-I	2004-II	2004-III
Domestic consolidated debt	3,461.1	3,554.8	3,663.8	3,739.2	3,834.9
-Central government, of which:	1,857.8	1,925.3	1,960.5	2,025.7	2,061.9
Long-term securities	1,521.7	1,586.1	1,631.4	1,661.4	1,701.6
Short-term securities	70.2	44.7	33.6	87.5	96.0
APNA	139.6	149.7	141.3	133.1	122.2
SVB	14.8	26.2	17.8	20.9	11.6
-Curaçao, of which:	1,905.4	1,951.0	2,030.0	2,027.4	2,080.7
Long-term securities	583.3	586.8	633.7	632.1	707.0
Short-term securities	88.4	86.2	109.1	128.0	107.0
APNA	788.6	807.8	814.7	815.7	819.2
Central government	348.1	362.3	375.5	366.0	363.9
Foreign debt	730.7	806.7	760.9	754.7	768.9
Total debt (consolidated)	4,191.8	4,361.5	4,424.7	4,494.1	4,603.9
(% of GDP)	86.7%	89.5%	90.2%	91.1%	92.7%

*) Consolidated for debt between the central government and the island governments.
Source: Central government and island government of Curaçao

Table 11 Balance of payments (in millions NAf)

	2002-III	2003-III	2004-III
Trade balance	-437.8	-408.4	-505.7
-Exports	259.7	292.6	393.2
-Imports	697.5	701.0	898.9
Services balance	306.7	306.9	343.2
Receipts, of which:	659.6	687.9	718.3
-Travel	296.9	319.1	331.3
-Transportation	77.9	61.0	65.9
-Other services, of which:	284.8	307.8	321.1
-Int. fin & bus. services sector	121.1	102.3	107.3
Expenses, of which:	352.9	381.0	375.1
-Travel	153.0	144.1	140.9
-Transportation	48.2	32.9	46.6
-Other services, of which:	151.7	204.0	187.6
-Int. fin & bus. services sector	30.4	39.9	31.8
Income balance[1)]	7.4	6.7	1.3
Current transfers balance[2)]	77.0	75.4	25.4
Current account balance	**-46.6**	**-19.5**	**-135.8**
Capital & financial account balance	**18.2**	**30.0**	**108.8**
Capital balance	10.6	11.5	13.0
Financial balance	7.6	18.5	95.8
Net errors & omissions	**28.4**	**-10.5**	**27.0**

1) Labor and investment income.
2) Public and private transfers.

Table 12 Breakdown of net changes in the financial account (in millions NAf)

	2002-III	2003-III	2004-III
Direct investment			
- Abroad [1)]	0.0	1.3	-4.1
- In the Netherlands Antilles [2)]	6.9	-26.6	4.3
Portfolio investment [1)]	-44.9	-34.5	-21.1
Other investment, of which:	71.2	-0.2	37.4
- Assets [1)]	30.8	-30.1	-12.8
- Liabilities [2)]	40.4	29.9	50.2
Net lending/borrowing, of which:	-3.8	18.8	-13.2
- Assets [1)]	-22.9	-33.9	37.5
- Liabilities [2)]	19.1	52.7	-50.7
Reserves [3)]	-21.8	59.7	92.5
Balance	-60.4	-46.4	91.3

1) A minus sign means an increase in assets.
2) A minus sign means a decrease in liabilities.
3) A minus sign means an increase in reserves.

Table 13 Monetary survey (in millions NAf.)

	2003-II	2003-III	2003-IV	2004-I	2004-II	2004-III
Money supply (M2)	4,064.1	4,036.0	4,092.9	4,188.3	4,255.7	4,264.1
Money (M1)	1,617.1	1,555.9	1,525.3	1,559.8	1,589.5	1,575.8
Coins & notes with the public	232.5	213.1	232.9	211.9	221.0	213.4
Total demand deposits, of which :	1,384.6	1,342.8	1,292.4	1,347.9	1,368.5	1,362.4
- Netherlands Antillean guilders	1,108.8	1,103.6	989.3	1,037.7	1,088.5	1,098.3
- Foreign currency	275.8	239.2	303.1	310.2	280.0	264.1
Near money	2,447.0	2,480.1	2,567.6	2,628.4	2,666.2	2,688.3
Time deposits	1,425.4	1,442.2	1,501.4	1,552.2	1,568.8	1,585.9
Savings	1,021.6	1,037.9	1,066.2	1,076.2	1,097.4	1,102.4
Factors affecting the money supply						
Net domestic assets	2,789.7	2,821.3	2,772.5	2,833.4	2,899.1	2,959.6
General government	453.2	476.8	470.1	482.6	566.9	605.3
- Central government	281.6	293.1	272.4	292.5	331.1	347.6
- Island governments	171.6	183.7	197.7	190.1	235.8	257.7
Private sector	2,782.8	2,787.8	2,834.4	2,874.5	2,874.9	2,968.7
Net foreign assets	1,274.4	1,214.7	1,320.4	1,354.8	1,356.6	1,304.5
Central bank	850.1	778.3	904.5	854.0	929.1	932.1
Commercial banks	424.3	436.4	415.9	500.8	427.5	372.4
Memorandum items						
Government loans by commercial banks	475.4	477.7	489.5	483.1	552.8	588.4
- Central government	268.6	260.3	282.3	232.2	298.8	325.5
- Island governments	206.8	217.4	207.2	250.9	254.0	262.9
Private sector loans - Leeward Islands	1,978.4	1,977.2	1,981.4	1,996.9	2,013.7	2,074.7
- Mortgages	797.1	802.1	778.1	752.0	751.5	726.2
- Consumer loans	513.8	526.9	541.5	544.9	577.3	597.6
- Business loans	667.5	648.2	661.8	700.0	684.9	750.9
Private sector loans - Windward Islands	698.9	710.3	755.0	771.5	755.7	786.2
- Mortgages	349.9	357.8	373.1	382.2	304.3	303.1
- Consumer loans	107.3	112.9	145.4	162.8	165.7	175.0
- Business loans	241.7	239.6	236.5	226.5	285.7	308.1

Table 14 Developments in domestic interest rates (in %)

	2003-III	2003-IV	2004-I	2004-II	2004-III
Central bank					
- Pledging rate	2.25	2.25	2.25	2.25	2.50
- Maximum CD rate (1 month)	1.25	1.25	1.25	1.25	1.95
Commercial bank borrowing rates					
- Passbook savings	3.6	3.4	3.3	3.2	2.9
- Time deposit (12 months)	5.1	4.9	4.6	4.6	4.4
Commercial bank lending rates					
- Mortgages	9.6	9.5	9.1	9.1	9.1
- Time loans	13.0	12.9	12.3	11.9	10.5
Government securities					
- Government bonds (5-year effective yield)	6.6	6.9	7.3	7.4	6.8
- Treasury bills (1 month)	1.9	3.0	3.0	2.8	3.1

Table 15 Aggregate balance sheet domestic commercial banks (in millions NAf.)

	2003-II	2003-III	2003-IV	2004-I	2004-II	2004-III
Assets						
Non-interest-bearing cash	415.0	379.4	431.5	462.8	403.3	330.1
Interest-bearing cash	1,516.1	1,423.8	1,431.1	1,486.6	1,492.3	1,535.7
Investments	606.3	612.4	611.3	602.9	674.6	685.2
Loans	3,504.7	3,615.5	3,697.5	3,774.7	3,784.6	3,915.0
Investments in unconsolidated subsidiaries and affiliates	12.3	12.0	13.5	18.6	17.3	17.9
Fixed assets	168.7	166.9	169.6	169.5	169.6	173.4
Other assets	138.7	127.8	147.2	288.0	140.2	162.0
Total assets	6,361.8	6,337.8	6,501.7	6,803.1	6,681.9	6,819.3
Liabilities						
Demand deposits	1,869.1	1,823.6	1,839.4	1,968.0	1,953.7	1,933.8
Savings deposits	2,267.9	2,286.3	2,334.8	2,367.7	2,481.5	2,417.9
Time deposits	1,397.0	1,403.1	1,473.7	1,524.3	1,305.5	1,627.9
Total deposits	5,534.0	5,513.0	5,647.9	5,860.0	5,740.7	5,979.6
Borrowings	118.0	111.7	125.4	102.1	87.9	29.0
Other liabilities	222.1	217.7	246.7	335.0	209.7	251.0
Total liabilities	5,874.1	5,842.4	6,020.0	6,297.1	6,038.3	6,259.6
Minority interest	6.9	6.1	6.4	6.7	7.0	6.1
Subordinated debentures	9.7	9.4	9.4	9.4	9.1	7.5
General provisions	140.6	143.8	140.3	143.8	144.1	150.1
Capital & reserves	330.5	336.1	325.5	346.1	353.8	396.0
Total capital	487.7	495.4	481.6	506.0	514.0	559.7
Total liabilities and capital	6,361.8	6,337.8	6,501.6	6,803.1	6,552.3	6,819.3

Table 16 Aggregate income statement domestic commercial banks*
(accumulated, in millions NAf.)

	2003-II	2003-III	2003-IV	2004-I	2004-II	2004-III
Interest income	227.2	339.1	427.2	116.8	229.5	351.9
Interest expenses	86.2	129.8	161.2	42.2	81.6	122.2
Net interest income	141.0	209.3	266.0	74.6	147.9	229.7
Other income	79.8	122.0	162.1	47.7	92.8	136.1
Total operational income	220.8	331.3	428.1	122.3	240.7	365.8
Salaries & other employee expenses	100.4	147.8	194.4	53.0	104.5	156.8
Occupancy expenses	26.9	40.3	51.9	14.8	28.9	43.4
Other operating expenses	33.3	47.6	58.3	15.9	33.4	48.3
Net addition to general provisions	14.2	18.3	34.9	5.2	15.2	24.2
Total operational expenses	174.8	254.0	339.5	88.9	182.0	272.7
Net operating income	46.0	77.3	88.6	33.4	58.7	93.1
Net extraordinary items	0.7	2.2	0.5	1.7	3.7	4.7
Applicable profit taxes	12.1	21.1	22.6	7.7	13.9	23.7
Net income after taxes	34.6	58.4	66.5	27.4	48.5	74.1

* Cumulative quarterly figures.