



QUARTERLY BULLETIN 2008-2

Bank van de Nederlandse Antillen

REPORT OF THE PRESIDENT

The impact of the prolonged international price rises in oil, raw materials, and food on the economy of the Netherlands Antilles was a continued slowing trend in the expansion of real Gross Domestic Product in the second quarter of 2008. Economic activities increased by 2.0%, compared to 3.4% in the second quarter of 2007. Private spending remained strong but was less robust than in 2007's second quarter as a result of the erosion of purchasing power caused by accelerating inflation. Investment growth slowed also. The expansion of private spending was mitigated by a contraction in government spending and net foreign demand. Government consumption and investment declined slightly in real terms. The decline in net foreign demand stemmed from a stronger growth in imports than in exports. However, this decline was considerably smaller than in the second quarter of 2007 as export growth has been gaining momentum. The annualized inflation rate continued to accelerate as a result of the persistent rises in international prices, reaching 4.1% at the end of the June 2008 compared to 3.4% at the end of March 2008.

A review by sector shows that the construction, wholesale & retail trade, restaurants & hotels, and financial services sectors contributed mainly to the 2008's second quarter economic expansion. Fueled by the many ongoing hotel and real estate projects, the construction sector continued to perform well. The growth in the wholesale & retail trade and restaurants & hotels sectors stemmed primarily from the buoyant development in tourism. Stay-over tourism continued to grow at double digit rates, backed primarily by Curacao. By contrast, cruise tourism declined as a result of fewer passengers visiting Curacao and St. Maarten. In addition, the growth in the wholesale & retail trade sector was promoted also by more activities in the free zone. The increase in value added in the financial services sector was attributable primarily to the good performance of the domestic banking sector, reflected by a substantial increase in profits. The international financial services companies also posted positive results but more moderate than the domestic banks.

The transport, storage & communication sector also continued to expand. Airport activities grew on all islands, backed by the rise in stay-over tourism. Curacao's harbor registered strong growth in the amount of freight handled and increased ship calls. However, fewer ships visited the harbors of Bonaire and St. Maarten. Moreover, oil storage and transshipment activities increased. Contrary to the other sectors, value added in the manufacturing and utilities sectors declined. The decline in manufacturing was due to a drop in the production of the Isla refinery. By contrast, the ship repair industry posted a substantial increase in the number of man-hours sold.

The deficit on the current account of the balance of payments increased further in the second quarter of 2008 compared to the second quarter of 2007, due to the deterioration of the trade deficit and the income balance. Strong growth in merchandise imports, reflecting higher oil and commodity prices and continuing private spending growth, contributed to the increase of the trade deficit. Merchandise exports grew also, but at a slower pace than imports, due largely to higher bunker sales and free-zone re-exports. The income balance deteriorated as a result of higher dividend and interest payments to foreign investors combined with a drop in income earned on foreign assets. By contrast, the services and current transfers balances improved. The improvement of the services balance was attributable, among other things, to the strong tourism performance. Higher profit tax remittances by the international financial and business services companies contributed to the improvement of the current transfers balance. The current account deficit in the second quarter of 2008 was financed primarily by the withdrawal

of funds from foreign bank accounts and increased trade credit received by local companies, the repatriation of funds by domestic financial institutions, and direct investment from abroad.

The cash deficit of the general government¹ decreased in the second quarter of 2008 compared to 2007's second quarter, resulting from a higher increase in revenues than in expenditures. Nontax revenues noted the largest increase, owing to license fee and profit remittances by the Bank. Tax revenues also increased in line with the economic expansion. The main expenditure increases occurred in wages & salaries, goods & services, and capital transfers. The higher wages & salaries were the result of the timely payment and reduction in arrears of premiums by the island government of Curacao to the government pension fund, APNA, while no payments were made in the second quarter of 2007. The rise in capital transfers can be explained by the central government's contribution to the fund for economic development. Despite the cash deficit, the government debt decreased, financed both by a drawdown of deposits. Nevertheless, the debt ratio still reached an unsustainable 82% of GDP.

The long anticipated debt relief offered by the Dutch government to reduce the debt ratio to sound proportions has come a step closer with the enactment of the Kingdom law on financial supervision on the central government, Curacao, and St. Maarten. Once the outstanding amount of debt securities has been audited, the supervision has become effective, and the supervisor has commented positively on the 2009 budgets, the debt relief can finally start, which is expected in the beginning of 2009. This relief is considered crucial to achieve lasting sound public finances.

The growth of the money supply accelerated in the second quarter of 2008, compared to the second quarter of 2007, because of both net domestic and net foreign assets. The growth in net domestic assets was attributable to the government as well as the private sector. The expansionary impact of the government resulted mainly from the drawdown of deposits. The further growth in loans extended contributed to the private sector's expansionary impact. Net foreign assets increased as a result of the surplus on the balance of payments.

The Bank was successful in absorbing the excess liquidity in the domestic money market through auctioning more certificates of deposit during the second quarter of 2008. Consequently, the reserve requirement percentage remained unchanged at 13.25%. However, the Bank reduced its pledging rate to 2.50% on May 16, 2008, following the reduction of the Fed funds rate and, hence, US money market rates, given their impact on our local money and capital market rates.

The recent escalation of the financial crisis, its spreading to all continents in the world, and the beginning contagion of the real economy have cast dark clouds on the world economic outlook. Growth projections are being revised downward everywhere, and many countries are approaching or already experiencing a recession. Up to this point, the Netherlands Antilles has hardly been affected directly by the financial crisis because our financial institutions have not been or have been only minimally invested in the financial instruments that triggered the crisis. However, the effects of the world economic slowdown will be felt in the upcoming quarters. Slowing foreign demand will affect particularly our tourism, transportation, and trade sectors. Moreover, the credit crunch and declining stock markets will reduce activities in the international financial and business services sector. Therefore, a slower economic growth than initially projected is expected. Meanwhile, the Bank will continue to monitor the developments in our financial sector closely and take timely needed steps when warranted. Together with

¹ The central government and the island government of Curacao combined.

sound fiscal and economic policies, we will weather the upcoming storm and when it has subsided, we will be confident to embark again on our original path of expansion.

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

Despite the financial, housing, and credit crises, real GDP in the United States grew by 2.1% in the second quarter of 2008. The second-quarter expansion was backed by strong trade performance and consumer spending, the latter at a slower rate than a year ago. Consumer spending managed to expand at 1.3%, despite rising unemployment, low wage growth, high fuel and food prices, and tight credit. The temporary stimulus from tax rebates was largely accountable for the growth in consumer spending. Slower consumer spending contributed to a contraction in import demand. By contrast, US exports became more competitive because of the weaker US dollar. The decline in imports combined with export growth narrowed the current account deficit by 5.4% to US\$723 billion. The soaring energy, food, and commodity prices fueled the inflation rate to 3.7% in the April-June quarter of 2008. With the main part of the economy affected by rising costs and waning demand, employers reduced their staff for the sixth successive month, leading to a jobless rate of 5.5%. Faced with the dilemma of rising inflation and slowing growth, the Federal Reserve cut the Fed funds rate to 2.00% in the June quarter of 2008, the 6th consecutive reduction since September 2007.

Table 1 Selected indicators of various countries

	United States		Netherlands		Venezuela	
	2007-II	2008-II	2007-II	2008-II	2007-II	2008-II
Real GDP (% change)	1.8	2.1	2.9	3.0	7.6	7.1
Consumer prices (%)	2.6	3.7	1.4	1.9	17.4	23.4
Unemployment rate (%)	4.6	5.5	4.6*	4.0*	8.3	7.6

Sources: US Bureau of Economic Analysis, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, Banco Central de Venezuela, and Instituto Nacional de Estadística Venezuela.

*Quarterly average

In 2008's second quarter, real GDP of the Netherlands remained steady at 3.0%. The steady economic output came from gains in both private and foreign demand, the latter more modest than a year ago. Higher natural gas consumption and the introduction of a personal contribution to government-funded medical treatment were mainly accountable for the rise in household spending. Moreover, the growth in investments was due to more residential as well as non-residential fixed investments. Dutch export growth slowed somewhat due to weaker re-exports. The marked increase in natural gas sold domestically and abroad contributed to the expansion in the mining sector. In addition, more residential and nonresidential investments translated into more activities in the construction sector. The steady economic growth led to an improvement of the labor market, resulting in a lower jobless rate of 4.0%. Most of the new jobs were created in the business services and trade sectors. The inflation rate in the Netherlands accelerated to 1.9%, still among the lowest in the Euro zone.

Although at a somewhat slower pace, Venezuela's economy grew at 7.1% in the second quarter of 2008, driven by both the oil and non-oil sectors. The expansion in the non-oil sector was sustained mainly by the construction, trade, and communication sectors. With the attempt to raise food production, the government eased the price controls on food, causing Venezuela's inflation rate to soar to 23.4%. The strong upward drive of consumer prices was primarily the result of consumer spending outpacing domestic production. Negative real interest rates accompanied by exchange and price controls explain the continued expansion of consumer spending. The surging oil revenues allowed the government to spend more on social programs, raise the number of public servants, and nationalize private companies. Nationalization has scared off investors and caused many private businesses to postpone investments, leading to shortages in the food supply, among other things. Employment in the public sector rose,

reducing the unemployment rate to 7.6% during the months April-June of 2008. The current account surplus rose markedly to \$16.8 billion, fueled mostly by a windfall in oil exports, stemming from high oil prices.

GENERAL ECONOMIC DEVELOPMENTS IN THE NETHERLANDS ANTILLES

After growing robustly at 3.4%² in the June quarter of 2007, the Antillean economy experienced a waning momentum of 2.0% during the same quarter of 2008. The overall slower pace of economic activity was related largely to the erosion of purchasing power, caused primarily by the higher prices for gasoline and food. Therefore, domestic demand expanded at a reduced pace compared to 2007. By contrast, net foreign demand contracted, as import growth outpaced the gain in export demand. The slower growth was accompanied by a higher inflation rate of 6.0%.

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

	2007-II	2008-II
Domestic expenditure, of which:	14.2	7.6
Private sector	14.0	8.0
- Investment	8.3	5.0
- Consumption	5.7	3.0
Government sector	0.2	-0.3
- Investment	0.1	-0.2
- Consumption	0.1	-0.2
Changes in inventory	3.0	-2.5
Foreign net expenditure, of which:	-13.8	-3.1
Export of goods and services	0.0	5.6
Import of goods and services	13.9	8.7
GDP	3.4	2.0
Net primary income	1.6	-1.8
Gross national income	5.0	0.2
Net current transfers from abroad	0.4	0.6
Gross national disposable income	5.4	0.8

BNA estimates

*) Expenditure categories data are weighted contributors to GDP growth.

The deceleration in real GDP growth was caused largely by weaker domestic demand, offset somewhat by stronger growth in exports (see Table 2). Private demand slowed, as private consumption was curtailed due to the inflation-induced loss of purchasing power. Private investments continued to grow, but also at a more subdued rate than a year ago. The performance of private investment activities matched the developments in capital inflow, mortgages, and business loans. Most of the investments occurred in hotels, transport &

² Second-quarter GDP growth for 2007 has been revised to 3.4%, up from a previously estimated 2.2% gain. These GDP estimates are based on more recent data. The upward revisions at the sectoral level occurred in all sectors with the exception of the financial services sector. Moreover, the revision of the expenditures components was in both domestic expenditures and net exports.

communication, and real estate. Public demand reported a decline in real terms, stemming from both public consumption and investment. Compared to 2007's second quarter, the external component had a less negative impact on real GDP growth. This impact was the result of a rise in exports, associated with an increase in bunker sales and more activities in the free zone and the tourism sector. Imports also expanded due to gains in prices and volumes, with surging oil and food costs having a significant effect.

During the months April-June 2008, gross national income of the Netherlands Antilles decelerated significantly as a result of a decrease in primary income from abroad. In addition, private demand expanded more modestly, compared to the year before. As opposed to 2007, public demand weakened, resulting in some improvement in the public finances. National savings contracted as the drop in private savings offset the improvement in public dissavings. Hence, the higher levels of private consumption and investment were funded through a drawdown in savings, increased credit extension, and external financing. Meanwhile, public consumption was financed through short-term treasury bills.

Domestic production

On the production side, the private sector took the lead in contributing to the economic activities in the second quarter of 2008. The construction, wholesale & retail, restaurants & hotels, and financial services sectors were the impetus for more activities in the private sector (see Table 3). For the last couple of years, the construction sector has provided an important contribution to the overall economic growth, reflected by various hotel and real estate projects.

During the June quarter of 2008, the total value added generated by tourism activities improved significantly, reflected by real gains of, respectively, 3.7% and 10.1% in added value in the wholesale & retail trade and restaurants & hotels sectors. Besides tourism, the wholesale & retail trade sector saw more activities in the free zone. The tourism industry in the Netherlands Antilles posted mixed results in the second quarter of 2008. The number of stay-over arrivals grew by 12.1%, up from 3.3% in the second quarter of 2007. The stay-over tourism increase was backed largely by Curaçao. In contrast, the cruise sector declined by 5.1%, caused by decreases in both Curaçao and St. Maarten, whereas Bonaire showed an increase. See Table 7 in the appendix for more details.

Contributory factors behind the growth in stay-over tourism were largely the buoyant growth in the European and South American markets. During 2008's second quarter, the US dollar continued to depreciate against the euro, making it more attractive for European travelers to visit the islands. The perceptible rise in the number of Venezuelan tourists has been continuing in 2008, improving the share of the South American market. This growth was attributable primarily to the exchange controls in Venezuela accompanied by the large difference between the black market exchange rate and the official peg. The growth in the number of Venezuelan visitors peaked in the fourth quarter of 2007, but moderated in the first and second quarters of 2008.

An analysis by island reveals that stay-over tourism grew on all the islands throughout the months April-June 2008. In contrast to last year, St. Maarten's tourist arrivals were up by 2.2%, driven by its main markets of North America and Europe. However, this increase was mitigated by the decline in the South American and Caribbean markets. While all markets recorded a growth in Curaçao, Dutch and Venezuelan tourists were the main contributors to the gain in stay-over visitor numbers (29.8%). As for Bonaire, the favorable outcome in the stay-over tourist industry (11.1%) was related to the improvement in the North American and European markets.

Table 3 GDP by sector (real percentage changes)

Sector	2007-II	2008-II
Agriculture, fishery, & mining	10.7	5.5
Manufacturing	9.7	-2.5
Electricity, gas, & water	3.6	-2.9
Construction	14.7	14.8
Wholesale & retail trade	5.5	3.7
Restaurants & hotels	7.4	10.1
Transport, storage, & communication	3.3	4.7
Financial intermediation	1.9	3.7
Real estate, renting, & business activity	4.6	4.3
Other community, social & personal services	1.6	1.4
Private households	2.0	1.2
Total private sector	4.5	3.5
Public sector	-1.5	-1.9
Taxes minus subsidies	1.2	-3.7
GDP	3.4	2.0

BNA estimate

The transport, storage, & communication sector performed well in the second quarter of 2008 as activities in the air transportation and harbor sectors increased. Air transport and airport-related activities rose, the latter stemming from growth in total passenger traffic in the Netherlands Antilles. This positive performance coincided with the rise in stay-over tourism. With regards to the harbor sector, total cargo movements in Curacao expanded while more ships were piloted into the harbor. By contrast, Bonaire and St. Maarten recorded a decline in the number of ships piloted. Furthermore, the upturn in oil storage and transshipment activities in the Netherlands Antilles enhanced the growth in the harbor sector.

Furthermore, the increase in value added in the financial services sector (3.7%) was the result of gains in domestic and foreign financial services. The positive business conditions in the domestic financial services sector were seen primarily in the context of increases in wages & salaries and income earnings.

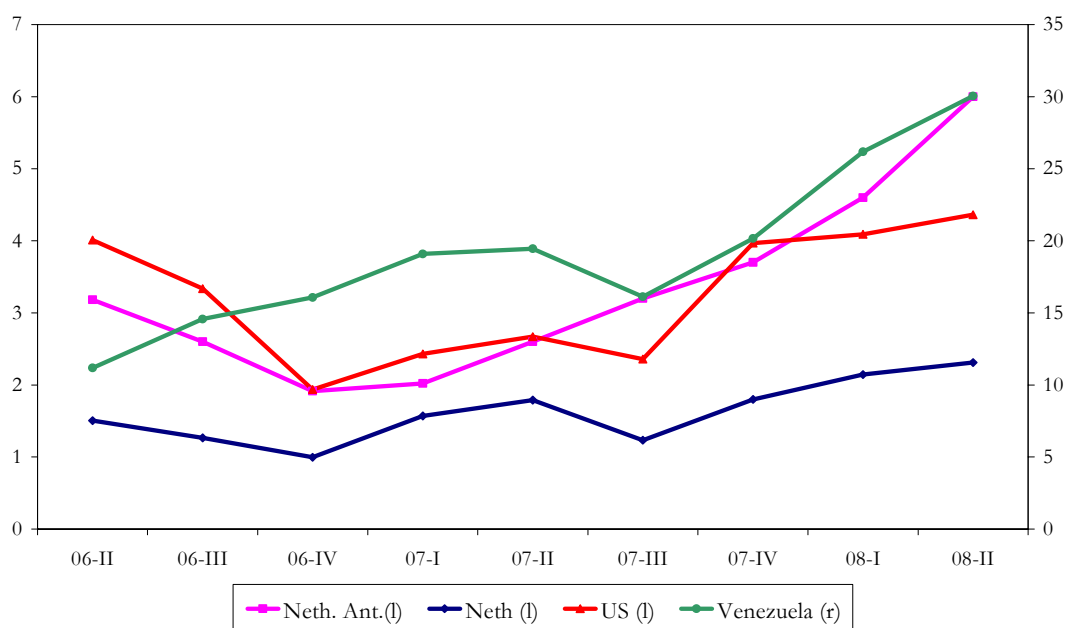
In contrast with the other sectors, the utilities and manufacturing sectors dampened partially the rise in overall output. The production of water as well as electricity declined in the Netherlands Antilles. Although the production in Curaçao's ship repair industry increased, the manufacturing sector performed poorly. Despite higher operational expenses, "Isla" refinery's production levels fell in terms of value added. Higher wages, contract payments, and fuel for own use were driven by the annual wage adjustments and higher oil costs.

Inflation

As a result of the significant increase in the prices of crude oil and agricultural products on the world markets, consumer prices in the Netherlands Antilles soared. The quarterly inflation rate rose at a rapid pace from 2.3% in the second quarter of 2007 to 6.0% in the second quarter of 2008, the highest since 2000. The rising Antillean inflation rate coincides with the main trading partners (see Graph 1). Food, gasoline, and other energy costs were the key drivers of the

higher inflation. Food prices, representing about 12% of the total consumer price index, showed the highest price gain (16.1%), followed by “transport & communication” (6.2%), and “housing” (5.4%). Rising utilities and gasoline costs accounted for the higher inflation in the housing and transport components. Moreover, a price acceleration occurred in all components, pushing up the general inflation rate (see Table 8 in the appendix for a detailed overview). An analysis by island shows that in the June quarter of 2008, Curaçao’s quarterly inflation was the highest at 6.4%, followed by St. Maarten at 5.0%, and Bonaire at 4.2%.

Graph 1 Developments in consumer prices (annual quarterly change)



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

DEVELOPMENTS IN PUBLIC FINANCE

The finances of the public sector improved during the second quarter of 2008 compared to the second quarter of 2007, reflected by a higher increase in revenues (20.7%) than expenditures (13.8%). Consequently, the deficit of the general government³ decreased by NAf.14.9 million to NAf.64.0 million (see Table 9 in the appendix). A review of the public sector finances reveals that tax revenues increased at both the central government and the island government levels. This increase was in line with the growth in private spending, although at a slower pace than a year ago. Furthermore, public consumption and investment declined in real terms due to the higher inflation, resulting in a negative contribution of the public sector to real GDP growth in the June quarter of 2008.

At the central government level, the increase in total revenues (27.3%) outweighed the increase in total expenditures (15.9%). As a result, the cash deficit of the central government dropped by NAf.20.5 million to NAf.8.1 million. The rise in non-tax revenues was due mainly to a surge in license fees and profit remittances by the central bank. Tax revenues rose (7.2%) as sales tax revenues, import duties, and excises on beer, tobacco, and liquor increased in line with the

³ The general government consists of the central government and the island government of Curaçao.

growth in private demand. The rise in the central government's expenditures can be attributed primarily to increases in cash outlays for goods & services, and capital transfers to the economic development fund.

A review of the finances of the island government of Curaçao reveals that total expenditures and revenues grew by 8.8% and 8.3%, respectively, worsening the cash deficit by NAf.5.6 million to NAf.55.9 million. The rise in current expenditures occurred primarily because the island government of Curaçao continued to make timely payments of pension premiums to the public pension fund, APNA, and in addition reduced its arrears. The increase in the revenues generated by the island government of Curaçao was attributable mainly to a rise in taxes on income and profits, triggered by the economic expansion.

The 2008 second quarter cash deficit of the general government was financed almost entirely monetarily. Both the central government and the island government of Curaçao financed their cash deficits mainly by drawing down their deposits with the commercial banks. In addition, the central government used a fraction of its deposits to redeem long-term government securities held by the general public (see Table 4).

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

	Central government		Curaçao government	
	2007-II	2008-II	2007-II	2008-II
Monetary financing	14.2	15.3	-24.3	46.6
Central bank	-14.9	-1.0	-26.9	6.0
Commercial banks	28.6	15.8	2.6	40.6
Coins and notes	0.5	0.5	-.	-.
Nonmonetary financing	14.4	-7.2	74.6	9.4
Government securities with the public	-14.1	-20.2	53.0	8.3
Other	28.5	12.9	21.6	1.1
Cash balance	-28.6	-8.1	-50.3	-55.9

Public sector debt

The total outstanding consolidated public debt decreased by NAf.34.2 million to NAf.5.57 billion (82.0% of GDP) during the second quarter of 2008. This decline was brought about primarily by a drop in the domestic component (NAf.22.7 million). The debt of the central government declined by NAf.25.9 million, due mainly to the redemption of long-term securities. The debt of the island government of Curaçao rose by NAf.11.2 million, attributable mainly to the buildup of arrears with the central government. The higher debt of the other islands was caused particularly by Bonaire's additional arrears with the APNA and the central government.

The total foreign debt of the Netherlands Antilles decreased by NAf.11.5 million because the central government reduced part of its payment arrears with the Netherlands, and the Netherlands Antillean guilder appreciated somewhat against the Euro. The latter resulted in a decline in the guilder-equivalent of the euro-denominated debt (see Table 10 in the appendix).

DEVELOPMENTS IN THE BALANCE OF PAYMENTS

Net exports of goods and services declined in the second quarter of 2008 as the growth in imports outpaced the rise in exports. Nevertheless, the decline in net foreign demand had a less negative impact on economic growth than in the previous year. This decline, together with a worsening of the income balance, resulted in a deterioration of the current account balance. In accordance with the current account deficit, the capital and financial account deteriorated (see Table 5).

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

	2006-II	2007-II	2008-II
Current account	-169.1	-329.5	-385.0
Capital transfers	4.7	26.5	14.8
External financing of the government	2.5	3.5	-4.3
External financing of the private sector	67.6	175.8	370.9
- Direct investment	8.6	72.0	103.4
- Loans and credits	82.8	136.5	326.1
- Portfolio investments	-23.8	-32.7	-58.6
Change in net foreign assets of the banking system *)	142.9	86.3	-23.4
- with commercial banks	14.8	-95.4	-27.7
- with central bank	128.1	181.7	4.4
Statistical discrepancies	-48.7	37.4	26.9

*) a minus sign implies an increase

Current account

Exports of goods and services improved by NAf.218.5 million in the second quarter of 2008, due largely to increased earnings from bunkering activities. This increase can be explained by higher average international fuel prices and higher volumes sold. Furthermore, re-exports by the free-zone companies in Curacao rose to meet increased demand from, among others, Panama. Foreign exchange receipts from the tourism industry also contributed to the improvement in the exports of goods and services. The earnings in this industry rose by NAf.13.9 million owing primarily to the growth of stay-over tourism in Curaçao. Moreover, foreign exchange revenues related to government services increased by NAf.11.4 million. This increase stemmed primarily from higher transfers from the government of the Netherlands to cover the current expenditures of the Royal Navy in the Netherlands Antilles. The export growth was partially offset by a decline in the refining fee paid by PDVSA⁴ for its operations in Curaçao. This decline was largely the result of a decrease in refining activities in the second quarter of 2008 compared to the same period of 2007.

Import of goods and services increased by NAf.255.4 million due mainly to higher merchandise imports reflecting, among other things, higher commodity prices (including food prices) on the international market. Higher merchandise imports were also related to investments in the refining, tourism, transportation and telecommunications industries, and increased private consumption. In addition, the growth in the tourism sector fueled the merchandise imports bill. Moreover, oil imports rose by NAf.113.8 million due to the rise in average oil prices on the international market and increased bunker fuel volumes sold. As the

⁴ Petróleos de Venezuela S.A.

rise in imports outpaced the increase in exports, net foreign demand declined by NAf.36.9 million in the second quarter of 2008, compared to the second quarter of 2007.

The income balance worsened by NAf.36.0 million due mainly to higher dividend and interest payments to foreign investors. Furthermore, interest income earned on foreign assets by resident companies dropped.

In contrast, the current transfers balance improved by NAf.17.5 million because the rise in current transfers received from abroad outpaced the increase in current transfers paid abroad. The former was, among other things, related to higher profit tax remittances from international financial and business companies operating in the Netherlands Antilles. Overall, the current account deficit worsened by 16.8%, reaching NAf.385.0 million in the June quarter of 2008 (see Table 11 in the appendix for more details).

Financing of the current account balance

As a result of the larger current account deficit, the net foreign indebtedness of the private sector increased by NAf.370.9 million during the second quarter of 2008. The change in the financing of the private sector was related to a worsening of the loans and credits balance (NAf.326.1 million) and the net direct investment balance (NAf.103.4 million), mitigated by an improvement in the portfolio investment balance (NAf.58.6 million). The latter improved because the purchase of foreign bonds and equity by institutional investors exceeded the maturing funds.

The loans and credits balance deteriorated largely because domestic companies withdrew funds from their foreign bank accounts to finance part of their imports. Furthermore, foreign assets were repatriated by financial corporations operating in the Netherlands Antilles to fund local activities. In addition, the net trade credits balance worsened by NAf.81.2 million. During the second quarter of 2008, net trade credit received on imports rose because of an increase in merchandise imports, while net trade credit extended on exports dropped. The deterioration of the loans and credits balance was mitigated by the repayment of loans abroad by private companies.

The worsening of the net direct investment balance can be attributed to an increase in claims of foreign direct investors in the Netherlands Antilles. This increase was related to, among other things, ongoing investments in the tourism industry in St. Maarten and Curaçao.

Meanwhile, capital transfers dropped by NAf.11.7 million in the second quarter of 2008. This drop was related to less development aid received in the April – June period of 2008 compared to the same period of 2007.

As a result of all the international transactions, net foreign assets (i.e., reserves) increased by NAf.23.4 million during the second quarter of 2008, reflecting a surplus in the balance of payments. This increase resulted from an increase of NAf.27.7 million in net foreign assets held by the commercial banks, mitigated slightly by a drop of NAf.4.4 in net foreign assets held by the central bank. See Table 12 in the appendix for a detailed overview.

MONETARY DEVELOPMENTS

Monetary policy

The reserve requirement and CD auctions⁵ are the core instruments of the Bank in implementing its monetary policy. These instruments are directed mainly at influencing the amount of base money, specifically the available liquidity of the commercial banks in their current account balances at the Bank. By tightening the liquidity in the domestic money market, the Bank tries to influence domestic credit extension and, hence, domestic spending and its impact on imports. In doing this, the Bank aims to meet the target set for the official reserves, which is equal to three months of merchandise imports.

During the second quarter of 2008, the Bank actively influenced the liquidity in the domestic money market through the auctioning of a larger amount of Certificates of Deposit (CDs). As the Bank was successful in mopping up excess liquidity through these auctions, the other main monetary policy instrument, i.e., the reserve requirement, was not actively deployed. Hence, the reserve requirement percentage remained unchanged at 13.250%.

The Bank's official interest rate, the pledging rate, was adjusted only once during the June quarter of 2008. Due to the peg to the US\$, the Bank's interest rate policy follows the developments in the US money market. In line with the reduction of the US Federal Funds Rate by 25 basis points in the second quarter of 2008, the Bank's pledging rate was reduced by the same amount to 2.50% as of May 16, 2008.

Net accumulation of wealth and the money supply

During the second quarter of 2008, money holdings of the private sector rose by NAF.160.7 million (2.5%), an acceleration compared to the second quarter of 2007, which registered an increase of NAF.21.1 million (0.4%). The increase in domestic liquidity in 2008's second quarter was attributable primarily to external financing and capital transfers from abroad, complemented by an increase in domestic bank credit. In addition, a major part of the available external financing was used to cover the current account deficit. See Tables 13A and 13B in the appendix for more details.

Factors affecting the money supply

The increase in the money supply in the second quarter of 2008 stemmed from the growth in both net domestic assets (3.5%) and net foreign assets (1.0%). Net domestic assets increased due to the growth in net credit to the government (8.6%) and net credit to the private sector (2.0%). The growth in net foreign assets was the result of an increase at the commercial banks (4.3%) mitigated by a drop at the central bank (0.2%)

The increase in net credit to the government was attributable mainly to the net withdrawal of deposits at the banking sector by both the central government and the island governments. The increase in net private credit extension was due primarily to the expansion of the loan portfolio (2.3%), a deceleration compared to the second quarter of 2007 (3.9%). Both island groups registered an increase in loans extended: the Leeward Islands by 2.5% and the Windward Islands by 1.7%. An analysis by loan components reveals that mortgages registered the biggest growth rates, namely, 7.4% on the Leeward Islands and 5.6% on the Windward

⁵ Certificates of deposit issued by the Bank.

Islands, followed by business loans that increased by 1.0% and 2.5%, respectively. By contrast, consumer loans declined by 3.5% on the Windward Islands and 0.8% on the Leeward Islands.

Developments in domestic interest rates

The Bank's official interest rate, the pledging rate, was adjusted once during the second quarter of 2008, in line with the reduction of the Fed funds rate on April 30, 2008. At the end of the second quarter, the pledging rate and the Fed funds rate stood at 2.50% and 2.00%, respectively. The maximum 1-month CD rate of the Bank was adjusted downwards to 2.40% following the decline in the 1-month US money market rate during the second quarter of 2008.

Most of the commercial banks' borrowing and lending rates continued their declining trend in the second quarter of 2008 in line with the declining international rates. The average rates on passbook savings and time deposits declined by 0.1 percentage point to 2.3% and 4.3%, respectively. Furthermore, the average rate on time loans dropped by 0.2 percentage point to 9.1%, but the average mortgage rate remained unchanged at 8.1%.

In line with the declining yield on US government securities, local government securities yields declined further in the second quarter of 2008. The average effective yield on 5-year bonds dropped by 2.0 percentage points to 5.0%. Two bond issues contributed to this development: on April 7 a 6.00% bond was accepted at 101.7% yielding 5.77%, while another bond issue on May 13 yielded 5.00%. The average rate on 1-month treasury bills remained unchanged at 3.5%.

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

During the June quarter of 2008, total assets of the domestic commercial banking sector grew by 2.7%, slightly up from 2.5% in the second quarter of 2007. The largest contribution to the growth of total assets came from the expansion in interest-bearing cash and loans extended. This expansion was mitigated by a decline in non-interest-bearing cash, investments, and other assets. See Table 16 in the appendix for more details.

The increase in private sector activity during the second quarter of 2008 contributed to a growth in the domestic banking sector's operational income (22.0%). In addition to the growth in net interest income, other income increased substantially during the June quarter of 2008, compared to the second quarter of 2007. Operational expenses increased also (5.4%) but much more moderately than income, resulting in a marked increase in net income after taxes (77.1%). See Table 17 in the appendix for more details.

Macroprudential indicators

The macroprudential indicators provide a measure of the soundness of the banking system and allow for the monitoring of risks to the financial system as a whole. The adequacy of the capital stock is measured by the ratio of total capital-to-total assets. Due to an increase in capital, this ratio improved to 10.1% at the end of the second quarter of 2008, well above the internationally acknowledged benchmark of 8.0% (see Table 6).

The quality of the commercial banks' assets portfolio improved during the second quarter of 2008 compared to the previous quarter. This improvement was reflected by the increase in the ratio of provisions for loan losses-to-nonperforming loans, because nonperforming loans dropped. Consequently, the ratio of nonperforming loans-to-total loans dropped.

Compared to the second quarter of 2007, two of the three earnings-related indicators improved during the second quarter of 2008. The net interest margin improvement was induced by a stronger increase in net interest income than in average earning assets. Also the return-on-assets ratio improved because net income before dividend and taxes grew faster than total assets. By contrast, the gross earning assets yield declined slightly as a result of a more moderate increase in interest income than in average earning assets.

Liquidity in the domestic banking sector increased in the second quarter of 2008, reflected by a drop in the ratio of total loans-to-total deposits. This development was due to stronger growth in deposits than in loans.

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

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Capital adequacy						
Total capital/ total assets	9.1	9.3	9.3	8.8	9.8	10.1
Asset quality						
Nonperforming loans/ total loans	3.7	2.9	4.7	4.6	4.6	4.3
Provisions for loan losses/ non-performing loans	83.8	106.1	64.8	66.8	66.1	70.0
Earnings						
Gross-earning-assets yield	7.9	7.6	7.5	6.9	7.4	7.4
Net interest margin	5.0	4.8	4.8	4.4	4.8	4.9
Return-on-assets	1.8	1.8	2.0	1.8	2.3	2.7
Liquidity						
Total loans/ total deposits	62.6	71.1	64.0	61.4	63.1	58.7

APPENDIX

Table 7 Developments in stay-over tourism per island (% change)⁶

	Curaçao				St. Maarten				Bonaire			
	2007-II		2008-II		2007-II		2008-II		2007-II		2008-II	
North America, of which:	2.5	(0.2)	5.8	(0.4)	0.2	(0.1)	4.3	(1.6)	17.2	(0.7)	8.0	(0.3)
-U.S.A.	1.0	(0.1)	3.0	(0.2)	1.9	(0.6)	3.1	(1.0)	17.9	(0.7)	6.6	(0.3)
Europe, of which:	12.5	(1.8)	12.6	(1.9)	-5.3	(-0.6)	6.3	(0.6)	1.7	(0.1)	11.8	(0.4)
-The Netherlands	14.0	(1.7)	15.6	(2.0)	6.6	(0.1)	18.2	(0.4)	16.5	(0.4)	17.2	(0.5)
South & Central America, of which:	53.5	(3.7)	102.7	(12.8)	-4.5	(-0.1)	-15.2	(-0.2)	-4.7	(0.0)	2.1	(0.0)
-Venezuela	69.5	(3.2)	143.4	(14.6)	6.6	(0.0)	-10.9	(0.0)	24.6	(0.1)	-23.2	(-0.0)
-Colombia	32.6	(0.2)	0.6	(0.0)	---	---	---	---	11.8	(0.0)	76.3	(0.0)
Caribbean, of which:	17.2	(0.8)	3.3	(0.1)	-16.1	(-0.7)	-10.2	(-0.4)	-11.8	(-0.1)	49.1	(0.3)
-Dominican Republic	-6.4	(0.0)	-16.1	(0.0)	-13.7	(-0.1)	-6.8	(0.0)	---	---	---	---
Total	17.1	(5.7)	29.8	(11.5)	-3.7	(-2.1)	2.2	(1.2)	7.6	(0.7)	11.1	(1.0)

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

Table 8 Netherlands Antilles consumer prices (annual quarterly percentage change)

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Food	6.9	7.2	6.9	8.3	11.5	16.1
Beverages & tobacco	2.8	2.1	2.3	2.6	4.2	5.9
Clothing & footwear	-0.1	0.4	1.3	1.7	1.8	2.3
Housing	1.2	1.8	3.5	4.3	4.8	5.4
Housekeeping & furnishings	1.6	2.1	2.7	2.8	3.6	4.4
Health	0.2	0.7	0.8	0.8	1.6	1.8
Transport & communication	0.7	1.7	2.0	3.0	4.0	6.2
Recreation & education	0.4	0.6	0.9	1.2	1.6	2.0
Other	1.4	1.4	1.6	1.6	1.6	2.3
General inflation rate	1.7	2.2	2.9	3.7	4.5	6.0

Source: Central Bureau of Statistics

⁶ Weighted growth rates between brackets

Table 9 Budgetary overview (in millions NAf.)

	2005-II	2006-II	2007-II	2008-II
General government				
Revenues	566.5	334.4	377.3	455.3
Tax revenues, of which:	288.3	292.8	326.7	350.3
Taxes on income and profits	124.4	129.5	136.3	152.7
Taxes on goods and services	120.4	118.0	129.3	130.3
Taxes on international trade and transactions	31.7	33.6	37.1	45.9
Nontax and other revenues	278.2	41.6	50.6	105.1
Expenditures	499.3	441.0	456.2	519.4
Current expenditures, of which:	497.3	438.5	450.0	499.9
Wages and salaries	221.8	168.6	153.6	181.6
Goods and services	100.8	106.9	112.4	133.7
Subsidies	9.0	11.9	9.6	13.3
Transfers	93.6	81.6	90.2	98.8
Interest payments	72.1	69.5	84.3	72.6
Capital expenditures	2.0	2.4	6.2	19.4
Budget balance	67.2	-106.6	-78.9	-64.0
Central government				
Revenues	386.9	190.1	218.8	278.6
Tax revenues, of which:	151.6	155.5	173.7	186.2
Taxes on goods and services	110.3	112.4	122.8	126.6
Taxes on international trade and transactions	31.8	33.6	37.1	45.9
Nontax and other revenues	235.3	34.6	45.1	92.4
Expenditures	379.1	225.4	247.4	286.7
Current expenditures, of which:	378.4	225.9	243.2	269.7
Wages and salaries	81.9	84.3	84.4	88.2
Goods and services	26.6	28.8	26.0	48.9
Subsidies	0.0	0.0	0.0	0.0
Transfers	228.8	73.5	83.4	89.2
Interest payments	41.1	39.3	49.4	43.4
Capital expenditures	0.7	-0.5	4.2	17.0
Budget balance	7.8	-35.3	-28.6	-8.1
Island government of Curaçao				
Revenues	356.2	175.4	198.2	214.6
Tax revenues, of which:	136.7	137.3	153.0	164.1
Taxes on income and profits	124.4	129.5	136.3	152.7
Taxes on goods and services	10.1	5.6	6.5	3.7
Nontax and other revenues	219.5	38.1	45.2	50.6
Expenditures	296.8	246.7	248.6	270.5
Current expenditures, of which:	295.5	243.7	246.5	268.1
Wages and salaries	139.9	84.3	69.2	93.4
Goods and services	74.2	78.1	86.4	84.8
Transfers	41.4	39.2	46.5	47.5
Interest payments	31.0	30.2	34.9	29.2
Capital expenditures	1.3	2.9	2.0	2.4
Budget balance	59.4	-71.3	-50.3	-55.9

Table 10 Total outstanding consolidated public debt¹ (in millions NAf.)

	2007-II	2007-III	2007-IV	2008-I	2008-II
Domestic consolidated debt, of which:	4,485.9	4,532.0	4,698.6	4,722.1	4,699.4
Central government, of which:	2,322.4	2,384.2	2,460.9	2,470.4	2,444.5
Long-term securities	1,798.8	1,798.8	1,872.9	1,877.9	1,852.9
Short-term securities	148.8	218.7	231.5	212.2	219.8
APNA	225.7	234.0	228.3	227.6	226.8
SVB	9.1	5.8	6.4	12.1	12.1
Curaçao, of which:	2,384.0	2,368.3	2,452.2	2,452.5	2,463.7
Long-term securities	880.3	852.2	923.2	923.2	927.6
Short-term securities	167.3	158.0	163.8	172.5	172.4
APNA	841.8	855.0	860.8	849.7	845.3
SVB	0.0	0.0	0.0	0.0	0.0
Central government	320.4	320.1	311.8	311.2	322.3
Bonaire	136.6	140.4	147.8	154.8	158.2
St. Maarten	157.6	159.3	163.1	168.6	169.1
St. Eustatius	13.3	13.2	13.4	13.7	13.8
Saba	18.1	18.6	19.1	20.4	20.8
Foreign debt	747.6	779.6	820.8	883.6	872.1
Total debt (consolidated)	5,233.5	5,311.7	5,519.4	5,605.7	5,571.5
(% of GDP)	82.5%	82.5%	84.5%	84.2%	82.0%

1) Due to consolidation of the debts between the central government and the island governments, numbers may not add up.

Table 11 Detailed overview balance of payments (in millions NAf.)

	2006-II	2007-II	2008-II
Trade balance	-632.3	-808.6	-852.0
-Exports	297.9	277.0	486.9
-Imports	930.2	1,085.6	1,338.8
Services balance	493.3	477.3	483.6
Receipts, of which:	810.9	857.7	866.2
-Travel	432.9	454.1	468.0
-Transportation	55.3	59.3	55.5
-Other services, of which:	322.7	344.3	342.8
-Int. fin & bus. services sector	103.0	83.7	82.8
Expenses, of which:	317.6	380.5	382.6
-Travel	122.9	135.8	147.1
-Transportation	33.8	40.7	49.4
-Other services, of which:	160.9	203.9	186.1
-Int. fin & bus. services sector	30.7	32.6	30.3
Income balance ¹⁾	-17.5	8.6	-27.4
Current transfers balance ²⁾	-12.5	-6.8	10.7
Current account balance	-169.1	-329.5	-385.0
Capital & financial account balance	217.9	292.7	358.0
Capital account balance	4.7	26.5	14.8
Financial account balance	213.2	266.2	343.2
Net errors & omissions	-48.7	37.0	26.9

1) Labor and investment income.

2) Public and private transfers.

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

	2006-II	2007-II	2008-II
Direct investment	8.6	72.0	103.4
- Abroad ¹⁾	5.2	2.2	-9.6
- In the Netherlands Antilles ²⁾	3.4	69.8	113.0
Portfolio investment ¹⁾	-23.8	-32.7	-58.6
Other investment, of which:	145.8	138.8	252.7
- Assets ¹⁾	95.9	153.0	261.1
- Liabilities ²⁾	49.9	-14.2	-8.4
Net lending/borrowing, of which:	-60.5	-50.2	69.0
- Assets ¹⁾	-35.7	60.6	35.7
- Liabilities ²⁾	-24.8	-110.8	33.3
Reserves ³⁾	142.9	86.3	-23.4
Total assets ¹⁾	184.5	269.4	205.2
Total liabilities ²⁾	28.5	-55.2	137.9
Balance	213.0	214.2	343.1

1) A minus sign implies an increase in assets.

2) A minus sign means a decrease in liabilities.

3) A minus sign means an increase in reserves.

Table 13A Net accumulation of wealth (in millions NAf.)

2008-II	Domestic sectors			External sector
	Private	Government	Banking	
Nonfinancial transactions	-321.0	-64.0		385.0
Government net lending	0.0	0.0		
Government domestic nonbank financing	2.1	-2.1		
External financing of government		-4.3		4.3
External financing of private sector	370.9			-370.9
-Direct investment (equity)	103.4			-103.4
-Loans and credits	326.1			-326.1
-Portfolio, incl. debt	-58.6			58.6
Capital transfers	14.8			-14.8
Change in net foreign assets of the central bank			4.3	-4.4
Change in net foreign assets of commercial banks			-27.8	27.7
Change in domestic bank credit	71.8	70.4	-142.2	
Change in broad money	-160.7		160.7	
Other items, net/errors & omissions	21.9		5.0	-26.9

Table 13B Net accumulation of wealth (in millions NAf.)

2007-II	Domestic sectors			External sector
	Private	Government	Banking	
Nonfinancial transactions	-250.6	-78.9		329.5
Government net lending	0.0	0.0		
Government domestic nonbank financing	-81.7	81.7		
External financing of government		3.5		-3.5
External financing of private sector	175.8			-175.8
-Direct investment (equity)	72.0			-72.0
-Loans and credits	136.5			-136.5
-Portfolio, incl. debt	-32.7			32.7
Capital transfers	26.5			-26.5
Change in net foreign assets of the central bank			-95.4	95.4
Change in net foreign assets of commercial banks			182.2	-181.7
Change in domestic bank credit	140.8	-6.3	-134.5	
Change in broad money	-21.1		21.1	
Other items, net/errors & omissions	10.8		26.6	-37.4

Table 14 Monetary survey (in millions NAf.)

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Money supply (M2)	5,712.2	5,733.3	5,799.6	6,083.4	6,309.2	6,469.9
Money (M1)	2,100.6	2,138.7	2,078.3	2,298.6	2,378.7	2,400.1
Coins & notes with the public	256.5	273.5	259.8	304.4	287.2	294.0
Total demand deposits, of which :	1,844.1	1,865.2	1,818.5	1,994.2	2,091.5	2,106.1
- Netherlands Antillean guilders	1,321.7	1,342.2	1,339.7	1,441.5	1,492.1	1,533.1
- Foreign currency	522.4	523.0	478.8	552.7	599.4	573.0
Near money	3,611.6	3,594.6	3,721.3	3,784.8	3,930.5	4,069.8
Time deposits	2,243.2	2,221.9	2,242.1	2,254.3	2,386.6	2,440.7
Savings	1,368.4	1,372.7	1,479.2	1,530.5	1,543.9	1,629.1
Factors affecting the money supply						
Net domestic assets	3,692.0	3,799.9	3,902.7	3,961.8	3,893.0	4,030.3
General government	596.8	590.5	626.8	628.3	577.5	627.0
- Central government	382.7	399.2	390.5	394.9	408.3	432.0
- Island governments	214.1	191.3	236.3	233.4	169.2	195.0
Private sector	4,111.6	4,252.4	4,418.6	4,532.9	4,657.4	4,750.2
Net foreign assets	2,020.2	1,933.4	1,896.9	2,121.6	2,416.2	2,439.7
Central bank	1,330.1	1,425.5	1,392.7	1,620.6	1,764.2	1,759.9
Commercial banks	690.1	507.9	504.2	501.0	652.0	679.8
Memorandum items	-1,016.4	-1,043.0	-1,142.7	-1,199.4	-1,341.9	-1,346.9
Government loans by commercial banks	515.8	552.7	568.8	641.2	649.5	648.4
- Central government	290.6	314.6	323.8	368.3	379.0	381.8
- Island governments	225.2	238.1	245.0	272.9	270.5	266.6
Private sector loans Leeward Islands	2,690.9	2,790.2	2,901.5	2,977.8	3,064.1	3,140.2
- Mortgages	854.8	853.6	887.4	966.4	970.6	1,042.8
- Consumer loans	820.3	867.1	898.6	902.3	936.4	929.3
- Business loans	1,015.9	1,069.5	1,115.5	1,109.2	1,157.1	1,168.1
Private sector loans Windward Islands	1,210.8	1,249.0	1,267.4	1,307.3	1,316.8	1,339.2
- Mortgages	415.3	419.1	436.0	419.3	432.7	456.9
- Consumer loans	318.0	331.3	338.9	386.5	396.8	382.8
- Business loans	477.5	498.6	492.4	501.6	487.2	499.5

Table 15 Developments in domestic interest rates (in %)

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Central bank						
- Pledging rate	5.50	5.50	5.25	5.00	2.75	2.50
- Maximum CD rate (1 month)	5.25	5.25	5.20	4.93	3.06	2.40
Commercial banks borrowing						
- Passbook savings	2.8	2.8	2.7	2.5	2.4	2.3
- Time deposit (12 months)	4.5	4.4	4.3	4.4	4.4	4.3
Commercial banks lending rates						
- Mortgages	8.3	8.2	8.2	8.1	8.1	8.1
- Time loans	10.1	9.6	9.6	9.5	9.3	9.1
Government securities						
- Government bonds (5-year effective yield)	7.3	7.4	7.4	7.2	7.0	5.0
- Treasury bills (1 month)	5.5	5.5	5.5	5.1	3.5	3.5

Table 16 Aggregate balance sheet of domestic commercial banks (in millions NAf.)

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Assets						
Non-interest-bearing cash	589.2	554.9	581.5	948.0	894.0	873.9
Interest-bearing cash	2,562.0	2,422.7	2,530.3	2,585.8	2,955.6	3,248.1
Investments	1,247.5	1,422.0	1,432.2	1,524.0	1,376.6	1,336.9
Loans	5,827.5	6,063.0	6,235.3	6,386.5	6,510.4	6,656.3
Investments in unconsolidated subsidiaries and affiliates	173.7	156.8	150.1	150.3	181.0	180.9
Fixed assets	241.0	247.0	250.9	260.8	267.6	269.8
Other assets	194.4	236.0	235.9	257.7	245.4	205.9
Total assets	10,835.4	11,102.4	11,416.2	12,113.0	12,430.7	12,771.6
Liabilities						
Demand deposits	3,442.4	3,613.9	3,691.2	4,093.2	4,062.3	4,236.2
Savings deposits	3,367.9	3,408.9	3,458.3	3,557.1	3,665.8	3,765.5
Time deposits	2,634.9	2,603.2	2,712.5	2,895.3	2,753.4	2,741.2
Total deposits	9,445.2	9,626.1	9,862.0	10,545.6	10,481.5	10,742.9
Borrowings	32.4	59.7	62.2	71.1	329.4	368.0
Other liabilities	344.8	387.1	433.0	451.8	403.7	414.0
Total liabilities	9,822.4	10,072.8	10,357.2	11,068.4	11,214.6	11,524.8
Minority interest	8.7	8.4	7.9	8.4	9.2	8.9
Subordinated debentures	3.5	3.3	1.7	1.7	1.7	1.4
General provisions	187.3	194.2	197.4	203.3	207.8	194.3
Capital & reserves	813.5	823.6	852.0	831.2	997.4	1,042.1
Total capital	1,013.0	1,029.5	1,059.0	1,044.6	1,216.1	1,246.8
Total liabilities and capital	10,835.4	11,102.4	11,416.2	12,113.0	12,430.7	12,771.6

**Table 17 Aggregate income statement of domestic commercial banks
(cumulative quarterly figures, in millions Naf.)**

	2007-I	2007-II	2007-III	2007-IV	2008-I	2008-II
Interest income	192.8	390.5	596.9	753.7	209.8	408.7
Interest expenses	72.1	143.9	217.4	276.4	73.5	141.1
Net interest income	120.6	246.6	379.5	477.3	136.3	267.6
Other income	63.2	123.7	193.1	254.8	76.3	184.3
Total operational income	183.8	370.3	572.6	732.1	212.6	451.8
Salaries & other employee expenses	71.0	137.0	205.8	275.6	75.3	149.4
Occupancy expenses	21.0	41.4	64.0	84.0	24.1	47.1
Other operating expenses	29.7	60.6	91.6	115.9	33.0	70.7
Net addition to general provisions	14.3	30.7	33.9	45.7	10.5	17.2
Total operational expenses	136.0	269.8	395.2	521.3	142.8	284.3
Net operating income	47.7	100.5	177.3	210.8	69.8	167.5
Net extraordinary items	1.5	-0.8	1.7	0.5	2.1	3.7
Applicable profit taxes	11.4	26.2	41.4	49.7	16.0	40.9
Net income after taxes	37.9	73.5	137.6	161.6	55.9	130.2