QUARTERLY BULLETIN 2008-3

Bank van de Nederlandse Antillen

REPORT OF THE PRESIDENT

The pace of growth of the Netherlands Antillean economy continued to slow in the third quarter of 2008, a result of rising inflation and the gradual increasing impact of the international financial crisis. Real Gross Domestic Product expanded by 1.4%, down from 3.6% in the third quarter of 2007. Private spending continued to expand but at a slower rate than in 2007's third quarter. Both private consumption and investment contributed to this weakening. The expansion of private demand was offset partially by a contraction in government spending and net foreign demand. Government consumption in particular accounted for the decline in real public spending. Both imports and exports grew significantly, but the higher growth of imports resulted in a decline in net foreign demand. The inflation rate is rising rapidly, reaching 5.5% on an annual basis at the end of the third quarter of 2008, compared to 4.3% at the end of the previous quarter. The impact of the sharp gains in international oil and food prices on domestic prices and the 15% increase in minimum wages were the main contributing factors to the acceleration of the inflation rate.

An analysis by sector shows that, except for manufacturing, activities in all sectors continued to expand in the third quarter of 2008, but mostly at a slower pace. The expansion was supported primarily by the construction, transport, storage & communication, financial services, and real estate, renting, & business services sectors. The construction sector continued to perform well because of the ongoing hotel and other tourism-related projects. Purchases of properties and investments by nonresidents accounted for the growth in real estate, renting, & business services, while the domestic banks contributed primarily to the expansion of financial services. The good performance of the transport, storage, & communication sector was attributable to more activities at the airports, related to the growth in stay-over tourism, and an increase in the amount of cargo handled in the harbor of Curacao. Oil transshipment expanded also, attributable entirely to Curacao.

Tourism developments were mixed. Stay-over tourism continued to grow strongly, led by Curacao, which benefited especially from the so-called dollar tourism from Venezuela. As a result, the hotels & restaurants sector performed well. By contrast, cruise tourism declined. Activities in the wholesale & retail trade sector grew only marginally because the high inflation eroded consumers' purchasing power. Furthermore, the manufacturing sector recorded a decline in value added, attributable to the poor performance of the refinery. However, ship repair activities expanded.

The balance of payments deteriorated in the third quarter of 2008 compared to 2007's third quarter because the high current account deficit was not fully covered by the financing and capital transfers from abroad. As a result, international reserves declined, but the import coverage remained above the 3-month target. The deficit on the current account increased substantially due to a deterioration of all sub-balances. The trade deficit increased further, fuelled by higher import prices for oil, other commodities and food, more imports by the free zone, ongoing construction projects, and the growth in tourism. The surplus on the services account decreased, resulting mainly from a drop in the refining fee paid by the Venezuelan oil company, PDVSA, because of fewer refining activities, a drop in foreign exchange income from international financial and business services, and higher import of services related to the expansion of the harbor of St. Maarten and investments in the utilities and the hotels & restaurants sectors. Furthermore, a decline in interest income from portfolio investments abroad contributed to the deterioration of the income balance. The current account deficit was financed primarily by net credit received from abroad, foreign direct investment, and capital transfers related to development aid. The increase in net credit was due mainly to more trade credit received, the repatriation of funds abroad by domestic financial corporations, and withdrawals from foreign bank accounts by domestic companies. The ongoing investments in the tourism industry and the purchase of real estate by nonresidents accounted for the increase in foreign direct investment.

The general government's[1] cash deficit deteriorated in the third quarter of 2008, compared to the third quarter of 2007, due to higher expenditures. Most expenditure components increased, particularly capital transfers and wages & salaries. The increase in capital transfers was due to a reduction of arrears in the central government's contributions to the economic development fund and the strengthening of the capitalization of the postal savings bank. Wages & salaries increased because of a higher payroll and improved payment discipline of pension premiums to the public pension fund, APNA, by the island government of Curaçao. Revenues increased also, but less pronounced than expenditures. The increase in revenues was attributable almost entirely to tax revenues, in line with the economic expansion. Profit tax, wage tax, and sales tax contributed mostly to the increase in tax revenues. The outstanding government debt increased only marginally because the rise in the domestic debt was offset largely by a decline in the foreign debt. The appreciation of the Netherlands Antillean guilder vis-à-vis the euro accounted for the decline in the foreign component.

The money supply grew more rapidly in the third quarter of 2008 than in the third quarter of 2007, because of a stronger expansion of the domestic component. Private credit growth accelerated, due to the extension of more mortgages and business loans. By contrast, consumer loans declined. The expansionary impact of the government increased also, caused mainly by the net purchase of government securities by the banking sector. The domestic expansion was mitigated by a decline in net foreign assets, resulting from the balance of payments deficit. During the third quarter of 2008, the Bank successfully mopped up the excess liquidity in the domestic money market through its bi-weekly auctions of certificates of deposit among the banks. Therefore, the reserve requirement percentage was left unchanged at 13.25%.

Although the international financial crisis and the worldwide spreading economic downturn had little impact on our third quarter performance, the signs of rough economic weather ahead are beginning to be felt. Activities in the international financial and business services industry are dwindling, and the foreign investment portfolios of our institutional investors lost a substantial part of their value. In addition, airlines are reducing the number of flights to our islands, and the hotel occupancy rate has started to decline. Besides international financial and business services and tourism, the decline in foreign demand also will begin to affect our other export industries, such as the oil sector, ship repair, and the free zone. Therefore, we have to prepare for a further weakening of our economy and a reversal of the declining trend in unemployment.

Moving forward, however, some developments may mitigate the evident decline in economic growth. The inflation rate is expected to decrease substantially, led by the declining international oil, commodity, and food prices. In addition, some hotel projects are still under construction, and an increasing number of projects will be started under the Social Economic Initiative. Moreover, the debt relief creates the prospect of a balanced government budget thereby facilitating the implementation of policies directed at mitigating the impact of the weakening economy. In times of crisis, it becomes even more important for the government, employer and employee organizations, and other interest groups to cooperate closely in addressing the social-economic and constitutional challenges we face. Only through national consensus will we be able to effectively endure the difficult time confronting us and be better prepared when the recovery begins.

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

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

The US economy lost strength throughout the summer as the financial crisis deepened due to the collapse in the housing market. The effects of the financial market turmoil spread into the real economy. In the third quarter of 2008, real GDP growth decelerated to 0.7% because of a contraction in private demand. Private consumption, the major contributor to growth in past years, weakened significantly. Continuing job losses, tight credit conditions, dropping home prices, falling stock markets, and fading confidence discouraged consumers from spending. Disappearing jobs reduced households' purchasing power, and evaporating investment portfolios dwindled retirement funds. Also, much of the homeowners' wealth shrank with the falling home prices. Spending fell on durable goods, such as cars and home appliances. Private investments worsened, as the continuous slump in homebuilding spread to nonresidential projects. So far, rising US exports have mitigated the decline in private demand, reducing somewhat the drag on GDP growth. Despite the intensifying of strains in the financial markets, the Federal Reserve kept the Fed funds rate unchanged at 2.00% in the September quarter of 2008. Third-quarter inflation rose to 4.4% in 2008, reflecting the pass-through of previous gains in the costs of energy and commodities, and higher import prices. Moreover, labor productivity growth decelerated slightly, pushing up U.S. consumer prices. In the wake of the financial turmoil, job losses were up for the ninth straight month, raising the jobless rate to 6.2% in the months July-September 2008.

Table 1 Selected indicators of various countries

	United States		Netherlands		Venezuela	
	2007-III	2008-III	2007-III	2008-III	2007-III	2008-III
Real GDP (% change)	2.8	0.7	4.0	1.8	8.6	4.6
Consumer prices (%)	2.4	4.4	1.4	2.4	17.7	27.4
Unemployment rate (%)	4.7	6.2	4.4*	3.8*	8.3	7.2

Source: US Bureau of Economic Analysis, US Bureau of Labor Statistics, Central Bureau of Statistics Netherlands, Banco Central de Venezuela, and Instituto Nacional de Estadistica Venezuela.
*Quarterly average

In 2008's third quarter, economic activities in the Netherlands slowed to 1.8% from 4.0% in the third quarter of 2007. This slowdown in economic growth was mainly attributable to weaker private consumption and net exports of goods & services. The strong price increases put a strain on households' real income, reducing consumer spending. In addition, imports rose at a faster rate than exports, as foreign demand for Dutch products slowed. Foreign demand weakened as Europe's economy, including that of its main trading partner, Germany, contracted in the third quarter. In terms of production, the entire private sector experienced fewer activities, in particular, retail trade, hotels & restaurants, manufacturing, and financial & business services. In spite of the weakened economic performance, the labor market improved, but at a slower pace than in 2007. This improvement was reflected by a lower unemployment rate of 3.8%, the lowest in six years. Higher global fuel and food prices contributed to the higher inflation rate of 2.4% in the third quarter of 2008. Nevertheless, the Netherlands continued to have the lowest inflation rate in the Euro-zone.

In the three months through September 2008, the Venezuelan economy grew by 4.6%, the slowest in five years. This growth was backed mainly by the public sector, which has gradually become the major contributor to economic growth since 2007. The government has taken over numerous private companies and increased spending. Government spending rose along with oil prices, which were at their highest in July 2008. As a result, liquidity in the economy rose rapidly, prompting the central bank to raise interest rates and sell government bonds.

Conversely, private sector activities have been contracting, the result of the government's economic policies and recent nationalization of private businesses. The deteriorating business environment continued to weaken investment, causing food supply shortages and keeping food costs elevated, despite the falling private demand. Third-quarter inflation soared to 27.4% in 2008, as domestic supply was not able to keep up with demand. The labor market has held up quite well against the backdrop of the economic slowdown. Venezuela's unemployment rate continued a declining trend to 7.2% during the months July-September 2008. The current account surplus expanded markedly to $18 billion, aided mainly by the soaring prices of oil exports, which represent about 90% of Venezuela's export of goods.

GENERAL ECONOMIC DEVELOPMENTS IN THE NETHERLANDS ANTILLES

In 2008's third quarter, real gross domestic product (GDP) growth was subdued at 1.4% in the Netherlands Antilles, following a robust expansion of 3.6%[2] in the third quarter of 2007. The soaring inflation placed perceptible strains on consumer spending and investments. The surge in food and energy prices squeezed companies' profits and consumers' purchasing power. Domestic demand expanded, although at a slower rate than a year ago. Net foreign demand continued to shrink, reinforcing the dampening effect on economic activity. The lower growth of domestic demand coincided with the weakening of merchandise imports (excluding oil and free-zone). Third-quarter economic developments were accompanied by a rising inflation rate of 7.6%.

The overall slower pace of economic activity was driven by weaker growth in private demand and a reduction in public demand in real terms. Private consumption growth continued during the September quarter of 2008, but lost some of its momentum. Consumers faced further losses in purchasing power as a result of the sustained gains in consumer price inflation. Despite investments in the utilities, hotels & restaurants, and real estate, renting & business activities sectors, private investment growth slowed as some major hotel projects reached their final stage. Public demand contracted in real terms, led by public consumption as well as investment. Public consumption showed more restraint, as outlays on wages & salaries and goods & services fell. The contribution of net foreign trade noticeably dampened GDP growth in the third quarter of 2008, as the import gain outperformed the rise in export demand (see Table 2). Compared to 2007, exports were on an upward trend, related to a gain in bunker sales, more activities in the tourism sector, and the recovery in the free zone. However, because exports have a relatively high import content, their growth was partially offset by the increase in imports. The sizeable third-quarter import growth stemmed largely from the soaring oil and food prices.

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[2] Third-quarter GDP figures for 2007 have been revised to 3.6%, up from a previously estimated 2.3% gain. These GDP estimates are based on more recent data. The upward revisions at the sectoral level occurred in almost all sectors. Moreover, the revision of the expenditure components was in both domestic expenditure and net exports.

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

	2007-III	2008-III
Domestic expenditure, of which:	7.4	5.6
Private sector	7.7	6.5
- Investment	5.2	4.7
- Consumption	2.5	1.8
Government sector	-0.3	-1.0
- Investment	-0.2	-0.1
- Consumption	0.0	-0.8
Changes in inventory	1.0	1.2
Foreign net expenditure, of which:	-4.8	-5.4
Export of goods and services	-2.1	7.1
Import of goods and services	2.7	12.5
GDP by expenditure	3.6	1.4
Net primary income	1.7	-1.5
Gross national income	5.4	-0.1
Net current transfers from abroad	-0.9	-0.5
Gross national disposable income	4.5	-0.6

BNA estimates
*) Expenditure categories data are weighted contributors to GDP growth

In contrast to 2007, net primary income from abroad dropped, reducing the growth of gross national income of the Netherlands Antilles during the September quarter of 2008. The expansion in private demand led to a decline in private savings. Also, both public consumption and investment were up in nominal terms, worsening the public net dissavings. As a result, national savings shrank. Public spending was financed mainly by selling government securities to the commercial banks. The higher private consumption and investment levels were backed by external financing, development aid, credit extension, and a drawdown on savings.

Domestic production

Throughout the months July-September 2008, the economic slowdown in the Netherlands Antilles was evident in various sectors. The somewhat subdued GDP growth was supported mostly by construction, transport, storage & communication, financial services, and real estate, renting & business services (see Table 3). By contrast, the public sector saw a marginal decline because of lower expenses on wages & salaries.

The economic picture remained positive in the construction sector, stemming mostly from the hotels and other tourism-related projects. Nevertheless, construction activities moderated compared to the third quarter of 2007, matching the waning growth in private investment spending. In line with the growth in construction spending, the value of completed projects increased, occurring entirely in nonresidential construction.

Table 3 GDP by sector (real percentage changes)

Sector	2007-III	2008-III
Agriculture, fishery, & mining	-4.5	11.6
Manufacturing	5.4	-4.5
Electricity, gas, & water	3.3	2.6
Construction	13.2	7.5
Wholesale & retail trade	5.7	0.5
Restaurants & hotels	8.7	6.7
Transport, storage, & communication	3.7	4.9
Financial intermediation	2.9	1.8
Real estate, renting, & business activities	2.6	5.8
Other community, social, & personal services	0.9	0.2
Private households	1.5	-1.2
Total private sector	4.0	2.0
Public sector	3.8	-0.2
Taxes minus subsidies	0.1	-1.5
GDP	3.6	1.4

BNA estimates

The erosion of consumers' purchasing power was felt particularly in the wholesale & retail trade sector during the July to September period of 2008. The real added value in this sector increased by a mere 0.5%, despite the revival of the free zone and more stay-over tourist arrivals. The growth in stay-over tourism was reflected by a real growth of 6.7% in added value in the hotels & restaurants sector.

Tourist arrivals to the Netherlands Antilles declined by 8.1%[3] in the third quarter of 2008, compared to a gain of 10.2% in the third quarter of 2007. An analysis of the tourism data reveals that the number of cruise ship visitors fell by 20.7%[4], while the number of stay-over arrivals rose by 8.9%. Both Curaçao and St. Maarten registered a decline in cruise passenger arrivals. The rise in air arrivals was not sufficient to make up for the fall in cruise ship visitors, given that the latter comprise the majority of visitors to the Netherlands Antilles.[5] Nevertheless, stay-over tourism accounts for most of the tourism revenues.

The gain in stay-over arrivals was due to more visitors from North America, Europe, and South America. So far, the tourism industry has benefited from the weak US dollar, which sustained the demand by European visitors. The growth in the South American market was driven largely by the sizable increase in the number of Venezuelan tourists, evident mostly on the island of Curaçao. The rise in arrivals from Venezuela started in 2007 and was mainly the result of the foreign exchange policy of the Venezuelan government.

An analysis by island shows that stay-over visitor arrivals rose on both Curaçao and St. Maarten during the third quarter of 2008. St. Maarten stay-over tourist arrivals grew by 5.6%, an improvement from the 0.7% growth in the period July-September of 2007. The increases in

[3] Excluding Bonaire's cruise tourism, as no data were available.
[4] Excluding Bonaire, as no data were available.
[5] Cruise ship visitors accounted for about 69% of total visitors to the Netherlands Antilles in 2007.

the North American and European markets offset the declines in the South American and Caribbean markets. The hotel occupancy rate remained stable at 55% when measured against the third quarter of 2007.

Compared to 2007's third-quarter, stay-over tourism in Curaçao slowed somewhat, but still grew at an impressive 16.3% during the months July-September 2008. This buoyant performance was related mostly to more Dutch and Venezuelan tourists visiting the island. The number of Venezuelan tourist arrivals comprised 15.8% of the increase in Curaçao's tourism. As opposed to the third quarter of 2007, the North American market shrank, mainly because of fewer visitors from the United States. This decline was mostly due to a drop in airlift by American Airlines, which made a significant cutback in Caribbean services. As of September 3, 2008, the daily flights from Miami were cut by half. In contrast to St. Maarten, Curaçao's hotel occupancy rate remained high at 84%, but the growth in visitor nights decelerated to 7.2%.

Conversely, stay-over tourism in Bonaire contracted, primarily because of a decrease in arrivals from its main markets, i.e., the United States and the Netherlands. The drop in the North American and European markets outpaced the expansion in the South American and Caribbean markets. Similar to Curaçao, the fall in the North American market was the result of a cutback in flights by American Airlines. See Table 7 in the appendix for more details.

The performance of the transport, storage, & communication sector improved in the three months ending September 2008 with gains in sea cargo movements and air transportation. Moreover, airport-related activities grew, as total passenger traffic expanded on all islands. This outturn was related to the growth in stay-over tourism and the air transportation sector. As opposed to 2007, fewer ships were being piloted into the harbors, while oil storage and transshipment activities weakened. These developments somewhat mitigated the favorable performance of the ports.

Production in the financial services sector expanded (1.8%), supported by both the domestic and international financial services in terms of value added, although to a lesser extent than in the third quarter of 2007. The slower growth in 2008 was due to the decline in wages & salaries in the international financial services sector.

So far, the global financial crisis has not affected the real estate, renting, & business services sector in the Netherlands Antilles as more activities were recorded during the third quarter of 2008. The increase was related particularly to the purchase of properties and investments by nonresidents and the ongoing tourism project developments.

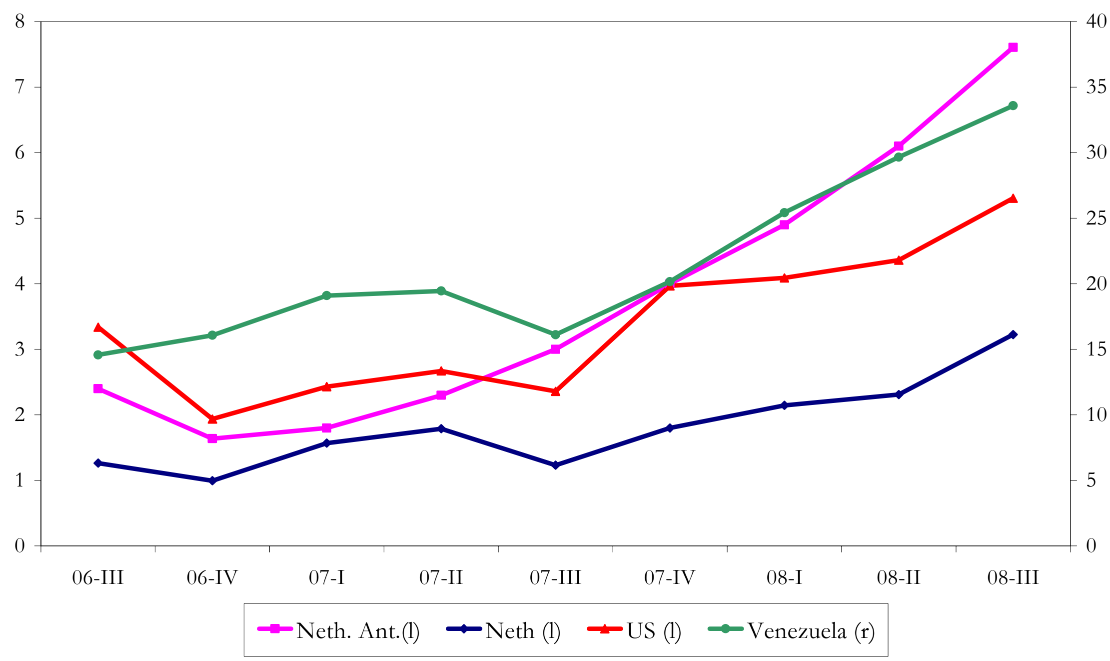
In contrast to the other sectors, total value added in the manufacturing sector exhibited a decline of 4.5%. This decline was caused entirely by fewer activities in the oil sector, reflected largely by a drop in the refining fee. In terms of value added, the "Isla" refinery performed poorly in spite of higher operational costs. The cost increase was due mostly to its own fuel use as a result of the high fuel costs. By contrast, activities in Curaçao's ship repair industry improved with an expansion in the number of man-hours sold.

Inflation

Inflationary pressures showed no signs of abating throughout the months July-September 2008. An analysis of price developments on a quarterly basis indicates that the Antillean inflation rate accelerated steeply to 7.6%,[6] a significant increase from the 3.0% in the September quarter of 2007 (see Graph 1). This acceleration can be explained largely by external factors, such as the sharp gains in energy and commodity prices. Like many Caribbean countries, the Netherlands Antilles is very dependent on the import of food and oil. Third-quarter inflation of the Netherlands Antilles matched the rise in inflation of its main trading partners, the United States, the Netherlands, and Venezuela.

The CPI components responsible for the sharp increase in the average price level were Food (19.4%), Housing (6.7%), Housekeeping & Furnishings (5.7%), and Transport & Communication (8.7%). Overall consumer price inflation continued to be marked by the perceptible increases in food prices on the world market. Moreover, the increase in the categories Housing and Transport & Communication was driven by the delayed pass-on to consumers of the rising oil prices in the domestic gasoline and utility prices. The upward adjustment of the minimum wage in Curaçao was the contributory factor to the price gain in Housing & Furnishings. With high food and energy prices pushing up inflation and squeezing real incomes, the Curaçao government came under pressure to raise the minimum wage by 15% on September 1, 2008. This rise was seen in the sub-component "household services" of Housing & Furnishings. An analysis by island shows that in the third quarter of 2008, Curaçao posted the highest quarterly inflation rate (8.1%), followed by St. Maarten (6.1%). See Table 8 in the appendix for a detailed overview.

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



DEVELOPMENTS IN PUBLIC FINANCE

In the third quarter of 2008, the public sector contributed negatively to the estimated growth of real GDP. Both public consumption and investment increased in nominal terms, but the

[6] Excluding Bonaire's inflation, as no data were available.

higher inflation rate eroded a real gain. The total expenditures of the general government[7] rose by 16.7% during 2008's third quarter, compared to the same period of 2007. This increase was led largely by outlays for wages & salaries and transfers. The 13.4% increase in the general government's total revenues was driven mainly by taxes on income & profit and sales tax, in line with the economic growth. Since the increase in revenues was outweighed by the increase in expenditures, the fiscal deficit deteriorated by NAf.22.0 million to NAf.84.2 million on a cash basis (see Table 9 in the appendix).

An analysis of the expenditures made during the third quarter of 2008 indicates that the cash outlays of the central government and the island government of Curaçao rose by 17.6% and 14.5%, respectively, weighed against the third quarter of 2007. At the central government level, the increase in expenditures was caused primarily by a surge in capital transfers. These transfers were aimed at reducing the central government's arrears with the economic development fund and the savings bank of the postal services, Postspaarbank. The arrears with the Postspaarbank resulted from the central government's legal obligation to strengthen the capital position of this entity. The rise in total expenditures of the island government of Curaçao can be explained by the growth in current expenditures, led by an increase in the outlays for wages & salaries. This increase in wages & salaries was caused mainly by an improvement in the government's payment discipline of pension premiums to the public pension fund, APNA. Outlays for subsidies, interest, and transfers also were on the rise, whereas payouts for good & services decreased slightly.

The growth in private demand in the July-September period of 2008 triggered an increase in revenues generated at both levels of government. The 14.6% growth in the central government's revenues was driven by rises in the proceeds from sales tax, import duties, and property transfer tax. In contrast, nontax revenues and grants increased only marginally. The rise in revenues collected by the island government of Curaçao (11.0%) was led mainly by taxes on income & profits. Revenues from taxes on goods & services, nontax revenues, and grants also showed a small increase compared to the third quarter of 2007.

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

	Central government		**Curaçao government**	
	2007-III	**2008-III**	**2007-III**	**2008-III**
Monetary financing	-8.5	24.2	17.6	68.0
Central bank	-14.3	9.8	8.2	5.4
Commercial banks	5.2	14.4	9.4	62.6
Coins and notes	0.6	0.0	-.-	-.-
Nonmonetary financing	37.0	14.9	16.1	-22.9
Government securities with the public	65.9	-5.8	-34.2	-23.6
Other	-28.9	20.7	50.3	0.7
Cash balance	-28.5	-39.1	-33.7	-45.1

The funds needed by the government to finance its fiscal deficit were raised primarily monetarily. The central government financed the larger part of its cash deficit by using its credit facility at the central bank and the net sale of debt securities to the commercial banks. The island government of Curaçao also was able to meet its cash obligations through a net sale of debt securities to the banking sector, supplemented by a drawdown of deposits. In addition, a part of these funds was used to redeem debt securities held by the general public (see Table 4).

[7] The general government consists of the central government and the island government of Curaçao.

Public sector debt

During the September quarter of 2008, the total consolidated debt of the public sector increased slightly by NAf.10.4 million to NAf.5.59 billion. Despite this increase, the debt-to-GDP ratio declined to 80.8%, as the GDP growth rate continued to outpace the growth rate of debt for the fourth consecutive quarter (see Table 10 in the appendix). The rise in public debt was caused by a surge in the domestic component (NAf.83.3 million). The domestic debt of the island government of Curaçao rose by NAf.54.8 million, due to the net issue of debt securities and the regular settlement of mutual obligations with the central government. The NAf.45.1 million increase in the central government's domestic debt was caused by the use of its credit facility at the central bank, the net issue of short-term securities, and the loan agreement entered into to effectuate a settlement with the Postspaarbank. The decline in the foreign component of public sector debt (NAf.72.9 million) during the third quarter of 2008 can be explained by the appreciation of the Netherlands Antillean guilder against the Euro. This appreciation resulted in the noted fall in the guilder-equivalent of the euro-denominated debt.

DEVELOPMENTS IN THE BALANCE OF PAYMENTS

During the third quarter of 2008, net foreign demand contributed negatively to economic growth as the rise in imports of goods and services outpaced the increase in exports. In addition, both net income and net current transfers from abroad dropped. As a consequence, the current account balance worsened by NAf.229.5 million compared to the third quarter of 2007, reaching a deficit of NAf.537.5 million. Similar to the current account, the capital and financial account worsened.

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

	2006-III	2007-III	2008-III
Current account	-198.9	-308.0	-537.5
Capital transfers	27.1	13.8	64.2
External financing of the government	3.2	3.0	3.7
External financing of the private sector	56.9	226.7	415.0
- Direct investment	3.9	92.0	149.9
- Loans and credits	22.7	220.7	326.5
- Portfolio investments	30.3	86.0	-61.4
Change in net foreign assets of the banking system *)	90.2	37.1	28.7
- with commercial banks	67.1	4.3	108.5
- with central bank	23.1	32.8	-79.9
Statistical discrepancies	21.4	27.4	25.8

*) a minus sign implies an increase

Current account

In the July – September quarter of 2008, exports of goods and services rose by NAf.231.9 million compared to the same quarter of 2007, primarily because of higher revenues from bunkering activities. The latter was related to both higher international oil prices and higher volumes sold. In addition, merchandise re-exports by the free-zone companies in Curaçao rose due to increased foreign demand. The tourism sector also contributed positively to export growth in the third quarter of 2008. This sector performed particularly well on the island of Curaçao where foreign exchange receipts from stay-over tourism increased by NAf.25.6 million. Moreover, revenues from the ship repair industry rose, reflecting increased ship repair activities. The export growth was mitigated by a drop in the refining fee paid by the Venezuelan oil company, PDVSA, for its operations in Curaçao, due mainly to lower refining activities. Furthermore, foreign exchange revenues from international financial services dropped, reflecting the impact of the international financial crisis on this sector.

The import of goods and services rose by NAf.413.2 million due mainly to increased oil imports. The latter increase was accounted for by both a rise in international oil prices and higher bunker fuel volumes sold. In addition, merchandise imports increased as a result of higher commodity prices (including food prices) on the international market, higher imports by the free-zone companies, and growth in the tourism industry. Moreover, the ongoing construction activities in the tourism and real estate industries also contributed to the increase in merchandise imports. The import of services also rose due to, among other things, construction activities in the harbor of Sint Maarten and investments in the utilities and hotels & restaurants industries. Because the growth in imports offset the increase in exports, net foreign demand dropped by NAf.181.3 million.

Both the income and the current transfer balances worsened during the third quarter of 2008. The income balance deteriorated by NAf.39.2 million, driven largely by a decline in interest income earned on portfolio investments abroad. Net current transfers dropped by NAf.9.0 million due to increased transfers paid to abroad but partly offset by a rise in transfers received from abroad. As a result of these developments, the deficit on the current account worsened by NAf.229.5 to NAf.537.5 million in the third quarter of 2008. See Table 11 in the appendix for more details.

Financing of the current account balance

The current account deficit resulted in a decline in the net foreign wealth of both the banking and the nonbanking sectors. In the third quarter of 2008, the net foreign wealth of the banking sector dropped by NAf.28.7 million. This drop resulted from a decline of NAf.108.5 million in net foreign assets held by the commercial banks. In contrast, net foreign assets held by the central bank increased by NAf.79.9 million.

The net foreign wealth of the nonbanking sector declined largely as a result of an increase of NAf.415.0 million in external financing of the private sector. This increase was related to a deterioration of both the loans and credit balance (NAf.326.5 million) and the direct investment balance (NAf.149.9 million), which was offset partially by an improvement in the portfolio investment balance (NAf.61.4 million). The latter improved because the purchase of foreign bonds and notes by institutional investors exceeded the maturing securities.

The worsening of the loans and credit balance was related, among other things, to a decline in net trade credit; net trade credit extended to foreign customers dropped while net trade credit from abroad increased. Net trade credit extended abroad declined by NAf.32.2 million because the increase in repayments exceeded the growth in new credit extended to foreign customers. Meanwhile, net trade credit from abroad rose by NAf.82.2 million driven by the growth in new credit received, offset partly by repayments of trade credit to abroad.

The repatriation of funds abroad by financial corporations to finance their operations in the Netherlands Antilles also contributed to the deterioration of the loans and credit balance.

Furthermore, a local financial institution increased the liability with its parent company abroad. In addition, some domestic companies withdrew funds from their foreign bank accounts to finance part of their imports. Moreover, outstanding claims for past construction services provided abroad by local companies were paid.

The deterioration of the direct investment balance was caused mostly by the purchase of real estate by nonresidents and ongoing investment in the tourism industry in the Netherlands Antilles.

Capital transfers increased by NAf.50.4 million in the September quarter of 2008, due to an inflow of development aid funds.

MONETARY DEVELOPMENTS

Monetary policy

The core instruments of the Bank's monetary policy, the reserve requirement and CD auctions[8], are mainly directed at influencing the amount of domestic base money. Through tightening the surplus liquidity in the domestic money market, the Bank tries to control domestic credit extension and, hence, domestic spending and import growth. The ultimate objective is to meet the official reserves target of three months of import coverage. This target was successfully met during the third quarter of 2008.

During the September quarter of 2008, the auctioning of certificates of deposit was sufficient to keep the liquidity in the domestic money market within the set targets. The reserve requirement was not deployed actively. Hence, the reserve requirement percentage remained unchanged at 13.250%.

Net accumulation of wealth and the money supply

During the third quarter of 2008, money holdings of the private sector rose by NAf.197.1 million (3.0%), an acceleration compared to the NAf.66.3 million (1.2%) increase registered in the third quarter of 2007. The increase in domestic liquidity in 2008's third quarter was attributable primarily to external financing and capital transfers from abroad, complemented by an increase in domestic bank credit. The available external financing was not sufficient to cover the current account deficit. As a result, net foreign assets declined. See Tables 13A and 13B in the appendix for more details.

Factors affecting the money supply

The increase in the money supply in the third quarter of 2008 (3.0%) stemmed entirely from the growth in net domestic assets (5.6%). The growth in net domestic assets was attributable to both the government sector (16.9%) and the private sector (3.6%). The increase in net credit to the government was attributable mainly to the net purchase of government securities by the banking sector.

[8] Certificates of deposit issued by the Bank.

In contrast, net foreign assets dropped by 1.2% in the September quarter of 2008. This drop was the result of a decline at the commercial banks (16.0%), mitigated by an increase at the central bank (4.5%)

The increase in net private credit extension was due entirely to the expansion of the loan portfolio (3.8%), an acceleration compared to the third quarter of 2007 (3.2%). Both island groups registered an increase in loans extended: the Leeward Islands by 4.5% and the Windward Islands by 2.2%. A breakdown by loan components reveals that mortgages and business loans increased by 10.7% and 3.5%, respectively. Consumer loans, on the other hand, declined by 3.6%. A similar development in the loan components was recorded in each island group. See Table 14 in the appendix for more details.

Developments in domestic interest rates

The Bank's official interest rate, the pledging rate, remained unchanged at 2.50% during the third quarter of 2008. Due to the peg to the US$, the Bank's interest rate policy is on a par with the developments in the US money market. The US Federal Funds Rate was not adjusted in the third quarter of 2008, remaining at 2.00%. In addition, the maximum CD rate remained stable around 2.40%. This rate follows closely the development in US-dollar libor rates. The libor rates are indicative rates for interbank loans and fluctuated very little during the third quarter of 2008. Only towards the end of the quarter did the US libor rates tend to go higher.

The commercial banks' borrowing rates remained unchanged or continued their declining trend in the third quarter of 2008. The average rate on passbook savings remained stable at 2.3% while that on time deposits declined by 0.2 percentage point to 4.1%. The lending rates recorded diverging developments. The average time loans rate dropped further by 0.5 percentage point to 8.5%, but the average mortgage rate increased by 0.4 percentage point to 8.6%.

The average effective yield of 5-year bonds remained unchanged at 5.0% during the September quarter of 2008. During this period, two bond issues on July 10th were both accepted at 100%: a 3-year bond yielding 4.75% and a 7-year bond yielding 5.50%. The average rate on 1-month treasury bills also remained unchanged at 3.5%. See Table 15 in the appendix for more details.

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

During the September quarter of 2008, total assets of the domestic commercial banking sector grew by only 0.8%, a deceleration compared to the 2.8% growth in the third quarter of 2007. The largest contribution to the growth of total assets came from loans extended and investments. The increases in these items were mitigated by a decline in interest-bearing cash and non-interest-bearing cash. See Table 16 in the appendix for more details.

The increase in private sector activity during the third quarter of 2008 contributed to a growth of 15.3% in the domestic banking sector's operational income. Both net interest income and other income increased during the September quarter of 2008, compared to the third quarter of 2007. As the growth in income outpaced the increase in operational expenses (8.4%), net income after taxes increased markedly (29.4%). 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 (see Table 6). The adequacy of the capital stock is reviewed by means of the ratio of total capital-to-total assets. Because the capitalization of the banks increased more strongly than their assets, this ratio improved to 10.3% at the end of the third quarter of 2008, well above the internationally acknowledged benchmark of 8.0%.

The quality of the commercial banks' assets portfolio improved during the September 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, as the outstanding amount of nonperforming loans dropped. Consequently, the ratio of nonperforming loans-to-total loans dropped.

Compared to the third quarter of 2007, two of the three earnings-related indicators deteriorated during the third quarter of 2008. The deterioration in the gross earning assets yield and the net interest margin was induced by a stronger increase in average earning assets than in (net) interest income. By contrast, the return-on-assets ratio improved because net income before dividends and taxes registered a higher growth rate than total assets.

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

	2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III
Capital adequacy						
Total capital/ total assets	9.3	9.3	8.8	9.8	10.1	10.3
Asset quality						
Non-performing loans/ total loans	2.9	4.7	4.6	4.6	4.0	3.5
Provisions for loan losses/ non-performing loans	106.1	64.8	66.8	66.1	70.0	78.9
Earnings						
Gross-earning-assets yield	7.6	7.5	6.9	7.4	7.1	6.9
Net interest margin	4.8	4.8	4.4	4.8	4.7	4.5
Return-on-assets	1.8	2.0	1.8	2.3	2.7	2.5
Liquidity						
Total loans/ total deposits	71.1	64.0	61.4	63.1	62.9	63.9

Liquidity in the domestic banking sector declined slightly in the third quarter of 2008. This decline was reflected by an increase in the ratio of total loans-to-total deposits as the growth in loans outpaced the growth in deposits.

APPENDIX

Table 7 Developments in stay-over tourism per island (% change)[9]

	Curaçao				St. Maarten				Bonaire			
	2007-III		**2008-III**		**2007-III**		**2008-III**		**2007-III**		**2008-III**	
North America, of which:	2.6	(0.2)	-10.6	(-0.6)	6.3	(1.7)	6.3	(1.9)	17.2	(0.7)	-7.2	(-0.3)
-U.S.A.	2.8	(0.2)	-11.1	(-0.6)	6.0	(1.5)	5.2	(1.3)	17.0	(0.7)	-7.9	(-0.3)
Europe, of which:	19.9	(3.0)	11.9	(1.8)	0.3	(0.0)	18.0	(2.3)	9.8	(0.4)	-1.8	(-0.1)
-The Netherlands	19.1	(2.4)	14.4	(1.9)	1.9	(0.0)	27.6	(0.5)	27.7	(0.8)	-0.9	(0.0)
South & Central America, of which:	73.9	(7.7)	48.9	(6.9)	20.8	(0.5)	-11.3	(-0.2)	32.3	(0.2)	5.3	(0.0)
-Venezuela	125.9	(8.8)	62.4	(6.5)	132.8	(0.9)	-18.4	(-0.1)	68.1	(0.2)	-11.1	(0.0)
-Colombia	57.6	(0.4)	-0.4	(0.0)	---	---	---	---	113.0	(0.1)	-33.7	(0.0)
Caribbean, of which:	36.3	(2.3)	-4.6	(-0.3)	-10.4	(-0.5)	-12.0	(-0.5)	26.0	(0.1)	12.3	(0.1)
-Dominican Republic	4.0	(0.0)	-30.8	(-0.1)	-17.3	(-0.1)	2.2	(0.0)	---	---	---	---
Total	29.3	(11.3)	16.3	(6.7)	0.7	(0.4)	5.6	(2.9)	16.5	(1.5)	-3.5	(-0.3)

Source: Curaçao 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**	**2008-I**	**2008-II**	**2008-III[10]**
Food	6.9	7.2	6.9	12.2	16.1	19.4
Beverages & tobacco	2.8	2.1	2.3	4.5	5.9	7.1
Clothing & footwear	-0.1	0.4	1.3	1.9	2.3	1.8
Housing	1.2	1.8	3.5	4.8	5.4	6.7
Housekeeping & furnishings	1.6	2.1	2.7	3.7	4.4	5.7
Health	0.2	0.7	0.8	1.6	1.8	1.9
Transport & communication	0.7	1.7	2.0	4.0	6.2	8.7
Recreation & education	0.4	0.6	0.9	1.5	2.0	1.8
Other	1.4	1.4	1.6	1.6	2.3	2.8
General inflation rate	1.8	2.3	3.0	4.9	6.1	7.6

Source: Central Bureau of Statistics

[9] Weighted growth rates between brackets.
[10] Excluding Bonaire's inflation, the data for which were not available.

Table 9 Budgetary overview (in millions NAf.)

	2005-III	2006-III	2007-III	2008-III
General government				
Revenues	324.1	355.5	341.5	387.1
Tax revenues, of which:	285.9	312.3	325.4	367.4
Taxes on income and profits	128.6	130.5	134.7	151.6
Taxes on goods and services	117.9	127.8	127.3	150.1
Taxes on international trade and transactions	28.8	36.9	41.1	44.3
Nontax and other revenues	38.2	43.2	16.1	19.7
Expenditures	381.9	397.1	403.7	471.3
Current expenditures, of which:	378.7	394.4	397.7	429.8
Wages and salaries	131.3	130.7	141.5	159.2
Goods and services	107.0	104.4	102.0	100.7
Subsidies	14.4	10.8	8.2	11.7
Transfers	68.9	81.6	74.0	81.8
Interest payments	57.2	66.9	72.0	76.5
Capital expenditures	3.1	2.7	5.9	41.5
Budget balance	-57.8	-41.7	-62.2	-84.2
Central government				
Revenues	181.6	205.5	187.7	215.1
Tax revenues, of which:	149.0	167.5	176.7	202.9
Taxes on goods and services	112.2	118.4	121.6	141.9
Taxes on international trade and transactions	28.9	37.1	41.1	44.3
Nontax and other revenues	32.6	38.0	11.0	12.2
Expenditures	182.6	204.9	216.2	254.2
Current expenditures, of which:	181.1	204.2	211.8	215.3
Wages and salaries	68.6	71.5	75.3	78.9
Goods and services	28.6	31.8	25.2	25.2
Subsidies	0.0	0.0	0.0	0.0
Transfers	61.0	73.2	78.7	79.5
Interest payments	22.9	27.7	32.6	31.7
Capital expenditures	1.5	0.7	4.4	38.9
Budget balance	-1.0	0.6	-28.5	-39.1
Island government of Curaçao				
Revenues	174.4	181.1	189.1	209.9
Tax revenues, of which:	136.9	144.8	148.7	164.5
Taxes on income and profits	128.6	130.5	134.7	151.6
Taxes on goods and services	5.7	9.4	5.7	8.2
Nontax and other revenues	37.4	36.2	40.4	45.4
Expenditures	231.1	223.3	222.7	255.0
Current expenditures, of which:	229.5	221.3	221.2	252.4
Wages and salaries	62.7	59.2	66.2	80.3
Goods and services	78.4	72.6	76.8	75.5
Transfers	39.8	39.5	30.6	40.1
Interest payments	34.3	39.2	39.4	44.8
Capital expenditures	1.6	2.0	1.5	2.6
Budget balance	-56.8	-42.3	-33.7	-45.1

Table 10 Total outstanding consolidated public debt[1] (in millions NAf.)

	2007-III	2007-IV	2008-I	2008-II	2008-III
Domestic consolidated debt, of which:	4,532.0	4,698.6	4,722.1	4,708.7	4,792.0
Central government, of which:	2,384.2	2,460.9	2,470.4	2,452.7	2,497.8
Long-term securities	1,798.8	1,872.9	1,877.9	1,852.9	1,831.6
Short-term securities	218.7	231.5	212.2	219.8	251.6
APNA	234.0	228.3	227.6	226.8	226.0
SVB	5.8	6.4	12.1	17.5	14.2
Curaçao, of which:	2,368.3	2,452.2	2,452.5	2,463.7	2,518.5
Long-term securities	852.2	923.2	923.2	927.6	939.9
Short-term securities	158.0	163.8	172.5	172.4	189.0
APNA	855.0	860.8	849.7	845.3	842.4
SVB	0.0	0.0	0.0	0.0	0.0
Central government	320.1	311.8	311.2	322.3	342.6
Bonaire	140.4	147.8	154.8	158.2	161.7
St. Maarten	159.3	163.1	168.6	170.1	170.2
St. Eustatius	13.2	13.4	13.7	13.8	13.7
Saba	18.6	19.1	20.4	20.8	20.9
Foreign debt	779.6	820.8	883.6	872.1	799.2
Total debt (consolidated)	5,311.7	5,519.4	5,605.7	5,580.8	5,591.3
(% of GDP)	82.6%	84.5%	84.2%	82.2%	80.8%

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

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

	2006-III	2007-III	2008-III
Trade balance	-649.8	-832.6	-889.4
-Exports	313.8	281.0	548.0
-Imports	963.7	1,113.5	1,437.4
Services balance	461.8	524.5	400.0
Receipts, of which:	810.5	853.8	818.7
-Travel	363.5	394.0	425.1
-Transportation	61.7	62.3	64.5
-Other services, of which:	385.3	397.5	329.1
-Int. fin & bus. services sector	113.5	96.9	74.1
Expenses, of which:	348.7	329.3	418.6
-Travel	140.7	145.6	155.9
-Transportation	35.2	42.1	52.1
-Other services, of which:	172.8	141.6	210.6
-Int. fin & bus. services sector	34.9	30.6	27.0
Income balance[1)]	4.9	32.4	-6.8
Current transfers balance[2)]	-15.8	-32.3	-41.3
Current account balance	**-198.9**	**-308.0**	**-537.5**
Capital & financial account balance	**177.5**	**280.6**	**511.7**
Capital account balance	27.1	13.8	64.2
Financial account balance	150.5	266.8	447.4
Net errors & omissions	**21.4**	**27.4**	**25.8**

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

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

	2006-III	2007-III	2008-III
Direct investment	3.9	92.0	149.9
- Abroad 1)	1.4	2.0	-13.5
- In the Netherlands Antilles 2)	2.5	90.0	163.4
Portfolio investment 1)	30.3	-86.0	-61.4
Other investment, of which:	42.1	60.3	212.8
- Assets 1)	37.4	64.5	170.5
- Liabilities 2)	4.7	-4.2	42.3
Net lending/borrowing, of which:	-6.7	163.4	117.6
- Assets 1)	-22.1	60.1	29.9
- Liabilities 2)	15.4	103.3	87.7
Reserves 3)	90.2	37.1	28.7
Total assets 1)	137.2	77.7	154.2
Total liabilities 2)	22.6	189.1	293.4
Balance	159.8	266.8	447.6

1) A minus sign implies (means?) 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-III	Domestic sectors Private	Government	Banking	External sector
Nonfinancial transactions	-453.3	-84.2		537.5
Government net lending	0.0	0.0		
Government domestic nonbank financing	25.6	-25.6		
External financing of government		3.7		-3.7
External financing of private sector	415.0			-415.0
-Direct investment (equity)	149.9			-149.9
-Loans and credits	326.5			-326.5
-Portfolio, incl. debt	-61.4			61.4
Capital transfers	64.2			-64.2
Change in net foreign assets of the central bank			-79.9	79.9
Change in net foreign assets of commercial banks			108.5	-108.5
Change in domestic bank credit	169.7	106.1	-275.8	
Change in broad money	-197.1		197.1	
Other items, net/errors, & omissions	-24.3		50.1	-25.8

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

	Domestic sectors			External
2007-III	**Private**	**Government**	**Banking**	**sector**
Nonfinancial transactions	-245.8	-62.2		308.0
Government net lending	0.0	0.0		
Government domestic nonbank financing	-22.9	22.9		
External financing of government		3.0		-3.0
External financing of private sector	226.7			-226.7
-Direct investment (equity)	92.0			-92.0
-Loans and credits	220.7			-220.7
-Portfolio, incl. debt	-86.0			86.0
Capital transfers	13.8			-13.8
Change in net foreign assets of the central bank			32.8	-32.8
Change in net foreign assets of commercial banks			3.7	-4.3
Change in domestic bank credit	166.2	36.3	-202.5	
Change in broad money	-66.3		66.3	
Other items, net/errors, & omissions	-72.3		99.7	-27.4

Table 14 Monetary survey (in millions NAf.)

	2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III
Money supply (M2)	5,733.3	5,799.6	6,083.4	6,309.2	6,469.9	6,667.0
Money (M1)	2,138.7	2,078.3	2,298.6	2,378.7	2,400.1	2,444.1
Coins & notes with the public	273.5	259.8	304.4	287.2	294.0	278.4
Total demand deposits, of which :	1,865.2	1,818.5	1,994.2	2,091.5	2,106.1	2,165.7
- Netherlands Antillean guilders	1,342.2	1,339.7	1,441.5	1,492.1	1,533.1	1,619.8
- Foreign currency	523.0	478.8	552.7	599.4	573.0	545.9
Near money	3,594.6	3,721.3	3,784.8	3,930.5	4,069.8	4,222.9
Time deposits	2,221.9	2,242.1	2,254.3	2,386.6	2,440.7	2,532.5
Savings	1,372.7	1,479.2	1,530.5	1,543.9	1,629.1	1,690.4
Factors affecting the money supply						
Net domestic assets	3,799.9	3,902.7	3,961.8	3,893.0	4,030.3	4,256.0
General government	590.5	626.8	628.3	577.5	627.0	733.1
- Central government	399.2	390.5	394.9	408.3	432.0	456.5
- Island governments	191.3	236.3	233.4	169.2	195.0	276.6
Private sector	4,252.4	4,418.6	4,532.9	4,657.4	4,750.2	4,919.9
Net foreign assets	1,933.4	1,896.9	2,121.6	2,416.2	2,439.6	2,411.0
Central bank	1,425.5	1,392.7	1,620.6	1,764.2	1,759.9	1,839.8
Commercial banks	507.9	504.2	501.0	652.0	679.7	571.2
Memorandum items	-1,043.0	-1,142.7	-1,199.4	-1,341.9	-1,346.9	-1,397.0
Government loans by commercial banks	552.7	568.8	641.2	649.5	648.4	717.1
- Central government	314.6	323.8	368.3	379.0	381.8	398.1
- Island governments	238.1	245.0	272.9	270.5	266.6	319.0
Private sector loans Leeward Islands	2,790.2	2,901.5	2,977.8	3,064.1	3,140.2	3,281.7
- Mortgages	853.6	887.4	966.4	970.6	1,042.8	1,172.8
- Consumer loans	867.1	898.6	902.3	936.4	929.3	889.5
- Business loans	1,069.5	1,115.5	1,109.2	1,157.1	1,168.1	1,219.4
Private sector loans Windward Islands	1,249.0	1,267.4	1,307.3	1,316.8	1,339.2	1,369.1
- Mortgages	419.1	436.0	419.3	432.7	456.9	486.7
- Consumer loans	331.3	338.9	386.5	396.8	382.8	375.7
- Business loans	498.6	492.4	501.6	487.2	499.5	506.8

Table 15 Developments in domestic interest rates (in %)

	2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III
Central bank						
- Pledging rate	5.50	5.25	5.00	2.75	2.50	2.50
- Maximum CD rate (1 month)	5.25	5.20	4.93	3.06	2.40	2.41
Commercial banks borrowing						
- Passbook savings	2.8	2.7	2.5	2.3	2.3	2.3
- Time deposits (12 months)	4.4	4.3	4.4	4.4	4.3	4.1
Commercial banks lending rates						
- Mortgages	8.2	8.2	8.0	8.1	8.2	8.6
- Time loans	9.6	9.6	9.5	9.2	9.0	8.5
Government securities						
- Government bonds (5- year effective yield)	7.4	7.4	7.2	7.0	5.0	5.0
- Treasury bills (1 month)	5.5	5.5	5.1	3.5	3.5	3.5

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

	2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III
Assets						
Non-interest-bearing cash	554.9	581.5	948.0	894.0	873.9	807.6
Interest-bearing cash	2,422.7	2,530.3	2,585.8	2,955.6	3,248.1	3,009.4
Investments	1,422.0	1,432.2	1,524.0	1,376.6	1,336.9	1,500.9
Loans	6,063.0	6,235.3	6,386.5	6,510.4	6,656.3	6,889.2
Investments in unconsolidated subsidiaries and affiliates	156.8	150.1	150.3	181.0	180.9	180.9
Fixed assets	247.0	250.9	260.8	267.6	269.8	280.4
Other assets	236.0	235.9	257.7	245.4	205.9	202.7
Total assets	11,102.4	11,416.2	12,113.0	12,430.7	12,771.6	12,871.2
Liabilities						
Demand deposits	3,613.9	3,691.2	4,093.2	4,062.3	4,236.2	4,228.5
Savings deposits	3,408.9	3,458.3	3,557.1	3,665.8	3,765.5	3,801.8
Time deposits	2,603.2	2,712.5	2,895.3	2,753.4	2,741.2	2,914.1
Total deposits	9,626.1	9,862.0	10,545.6	10,481.5	10,742.9	10,944.5
Borrowings	59.7	62.2	71.1	329.4	368.0	222.9
Other liabilities	387.1	433.0	451.8	403.7	414.0	419.5
Total liabilities	10,072.8	10,357.2	11,068.4	11,214.6	11,524.8	11,586.9
Minority interest	8.4	7.9	8.4	9.2	8.9	9.6
Subordinated debentures	3.3	1.7	1.7	1.7	1.4	0.0
General provisions	194.2	197.4	203.3	207.8	194.3	198.2
Capital & reserves	823.6	852.0	831.2	997.4	1.042.1	1.076.5
Total capital	1,029.5	1,059.0	1,044.6	1,216.1	1,246.8	1,284.3
Total liabilities and capital	11,102.4	11,416.2	12,113.0	12,430.7	12,771.6	12,871.2

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

	2007-II	2007-III	2007-IV	2008-I	2008-II	2008-III
Interest income	390.5	596.9	753.7	209.8	408.7	610.1
Interest expenses	143.9	217.4	276.4	73.5	141.1	207.9
Net interest income	246.6	379.5	477.3	136.3	267.6	402.2
Other income	123.7	193.1	254.8	76.3	184.3	258.2
Total operational income	370.3	572.6	732.1	212.6	451.8	660.4
Salaries & other employees' expenses	137.0	205.8	275.6	75.3	149.4	226.7
Occupancy expenses	41.4	64.0	84.0	24.1	47.1	74.9
Other operating expenses	60.6	91.6	115.9	33.0	70.7	99.6
Net addition to general provisions	30.7	33.9	45.7	10.5	17.2	27.2
Total operational expenses	269.8	395.2	521.3	142.8	284.3	428.3
Net operating income	100.5	177.3	210.8	69.8	167.5	232.1
Net extraordinary items	-0.8	1.7	0.5	2.1	3.7	2.1
Applicable profit taxes	26.2	41.4	49.7	16.0	40.9	56.1
Net income after taxes	73.5	137.6	161.6	55.9	130.2	178.0