QUARTERLY BULLETIN 2010 – III

REPORT OF THE PRESIDENT

The pace of economic activity in the Netherlands Antilles declined in the third quarter of 2010 with real Gross Domestic Product contracting by 0.4% compared to the third quarter of 2009. The economic contraction stemmed from a decline in net foreign demand as imports of goods and services rose while exports dropped. A decline in private investment also contributed to the economic downturn. In contrast, both public and private consumption grew. The expansion in public consumption was related to increased government expenditures on goods & services and wages & salaries. Meanwhile, private consumption rose reflecting increased consumer loans and import demand. Increased international oil and other commodity prices continued to feed into domestic consumer prices. Hence, the annualized inflation rate accelerated to 2.7% at the end of September 2010.

An analysis by sector shows that almost all sectors recorded a decline in activities, but the economic contraction was driven largely by the manufacturing and construction sectors. The decline in manufacturing was due mainly to a drop in value added by the Isla refinery owing to the prolonged shutdown of the refinery as of March 2010. Also, activities shrank in the ship repair industry. Little confidence for expanding construction activities in the Netherlands Antilles resulted in the poor performance of the construction sector. After the completion of the harbor expansion in St. Maarten and several hotel and retail projects in 2009, no major investment projects were reported on the islands.

The financial services sector and the transport, storage & communication sector also recorded negative results during the September quarter of 2010. The contraction in financial sector output was attributable to a decline in domestic financial services, offset partly by a growth in international financial services. In the transport, storage & communication sector, real value added dropped due to, among other things, a decline in harbor activities. The third quarter of 2010 saw a decline in the number of ship calls, cargo movements, oil storage, and transshipment activities. Moreover, air transportation and airport-related activities fell, reflecting a decline in total passenger traffic, particularly in Curaçao and Bonaire. In contrast, output in the communication sector increased.

Activities in the restaurants and hotels sector fell, albeit at a slower pace than in the third quarter of 2009 because of a decline in the number of stay-over visitors in Curaçao and St. Maarten. On both islands, the number of stay-over tourists from North and South America dropped, offsetting increases in the number of visitors from Europe and the Caribbean. The contraction in stay-over tourism was mitigated by a growth in cruise tourism. In contrast, output in the wholesale and retail trade sector rose, accounted for primarily by increased tourism and domestic spending.

The deficit on the current account of the balance of payments increased in the third quarter of 2010 compared to the third quarter of 2009 due to a worsening of the trade, services, and current transfer balances. Higher merchandise imports and a decline in exports explain the deterioration of the trade balance. The increase in imports was attributable to, among other things, higher merchandise imports by the free-zone companies to replenish their inventories. Moreover, the growth in private consumption, increased tourism spending, and higher international oil and other commodity prices contributed to the import growth. A decline in re-exports by the free-zone companies, related to currency restrictions in Venezuela, caused the decline in merchandise exports. The services balance worsened mainly because of a decline in the fee received for refining operations in Curaçao. The latter was related to the shutdown of operations of the Isla refinery. In addition, oil storage fees received from abroad dropped, reflecting a decline in oil storage activities. The worsening of the services balance was mitigated by increased foreign exchange revenues from the tourism industry and a decline in construction services received from abroad. The current transfers balance deteriorated as the Dutch government transferred fewer debt relief grants in the third quarter of 2010 than in the third quarter of 2009. The income balance, in contrast, improved as a result of a decline in interest payments related to foreign investments in the Netherlands Antilles. The current account deficit was financed primarily by external financing of the private sector due to increased direct investments and net loans and credits from abroad. The latter resulted from, among other things, a transfer from the Netherlands of taxes on dividends paid by Dutch companies to their parent companies in the Netherlands Antilles. Also, the repatriation of foreign assets by financial corporations, the withdrawal of funds abroad by domestic companies, and increased net trade credits received on imports contributed to the growth in loans and credits from abroad. However, net portfolio investments abroad dropped, reflecting increased investments by institutional investors in foreign equity and debt securities. Due to the strong net inflow of capital, our international reserves increased, reflecting a surplus on the balance of payments.

The general government's surplus improved in the third quarter of 2010 compared to the third quarter of 2009 due to an increase in revenues, offset in part by a growth in expenditures. The increase in revenues was due entirely to grants received from the Netherlands, including debt relief funds, dividend tax transfers, and transfers to settle obligations related to the activities of the Netherlands Antillean coast guard. In contrast, both tax and nontax revenues declined. Almost all tax categories showed lower collections. Meanwhile, nontax revenues shrank because of a decline in the profit and license fee payouts by the central bank to the central government. Furthermore, the island government of Curaçao received fewer dividend payouts from public enterprises. The increase in expenditures occurred primarily in the categories wages & salaries and goods & services and was related mainly to the ongoing constitutional reform. The cash surplus contributed to a decline in outstanding government debt, reaching 61.9% of GDP at the end of September 2010.

The money supply grew in the third quarter of 2010, due to an expansion in net foreign assets, which was offset in part by a drop in net domestic assets. The latter can be ascribed to a decline in net credit extended to the government, reflecting the further implementation of the debt relief program. In contrast, net credit extended to the private sector increased in the third quarter of 2010, albeit at a slower pace than in the third quarter of 2009.
During the July - September period of 2010, the Bank continued its policy of monetary easing, motivated by the solid import coverage and the absence of excessive credit extension. Hence, the reserve requirement percentage was reduced every month by 25 basis points reaching 8.00% at the end of the quarter. Furthermore, maturing certificates of deposit issued by the Bank were refinanced only at the biweekly auctions. The Bank's official lending rate was left unchanged at 1.00%.

The recent economic developments show us once again how vulnerable Curaçao and St. Maarten are to economic shocks. Because of their small scale and high openness – and in the case of St. Maarten, high dependence on one sector – Curacao and St. Maarten are very susceptible to shocks, especially when we are confronting increasing international oil and other commodity prices. This vulnerability can hamper economic growth and, hence, the sustainable development of both countries.

To reduce this vulnerability, both countries have to improve their investment climate. In this context, it is important that we realize that private investment is the main driver of sustainable economic growth. By creating an attractive investment climate, Curacao and St. Maarten will become more competitive vis-à-vis the region and, hence, will be able to attract more investments. We still need to address several areas, including our labor market, bureaucracy, and the tax system. Investor confidence can easily be affected by measures that lack consistency and long-term perspective and that increase uncertainty. Therefore, we should refrain from promoting measures that will prove counterproductive in attaining our objective of a sustainable higher level of growth.

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

The US economy grew by 3.2% in the third quarter of 2010, in contrast to a contraction in the same period of 2009 (see Table 1). The recovery of the US economy reflected gains in consumer spending, inventories, and private investment. Corporate spending rose as businesses replenished stockpiles and purchased more equipment & software. The growth in nonresidential investment was offset somewhat by the decline in residential investment. This decline was related to the slowdown in the housing market, which occurred when the US government ended the housing tax credit. Private consumption rose only moderately, due mainly to the rather muted growth of household income caused by the sluggish recovery of the job market. The resurgence in private spending matched the considerable increase in the demand for imports, outperforming the higher export of goods & services. The gain in external demand was caused by a brighter global environment combined with the cheaper US dollar. Hence, the US trade deficit widened by 34.8% to $550.5 billion in 2010's third quarter. The economic recovery was not robust enough to improve the job market, and the unemployment rate remained high at 9.6% in September 2010. Amid high unemployment and sluggish demand, producers were unwilling to pass on the higher costs to their customers despite rising input costs. The modest 2010 third-quarter inflation of 1.7% was due mainly to higher energy and food prices. To provide liquidity support to the economy, the Federal Reserve has maintained its Fed funds rate near zero since late 2008.

Table 1 Selected indicators of various countries

	United States		Netherlands		Venezuela	
	2009-III	2010-III	2009-III	2010-III	2009-III	2010-III
Real GDP (% change)	-2.7	3.2	-3.7	1.9	-4.6	-0.4
Consumer prices (%)	-0.3	1.7	1.5	1.1	28.6	28.0
Unemployment rate (%)	9.8	9.6	4.0*	4.4*	8.4	8.4

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.
*International definition

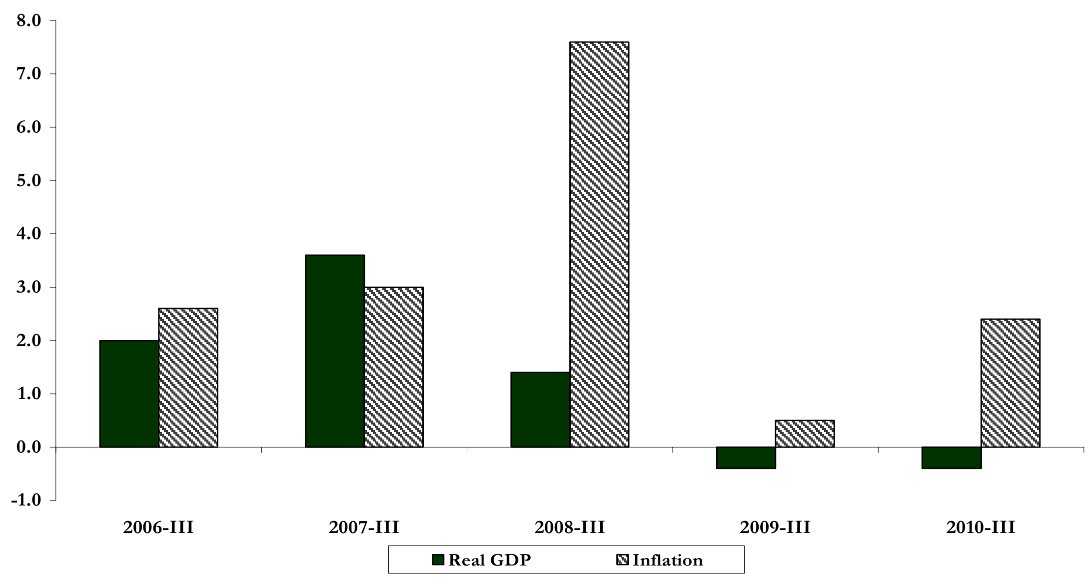
During 2010's third quarter, the Dutch economy grew by 1.9%, up from the 3.7% contraction in the same quarter of 2009. The expansion in export demand, owing largely to re-exports, provided the impetus to this third-quarter growth. The rise in household spending was subdued, but the highest in two years. Households bought more durable goods, such as automobiles and household appliances. Also, gains in outlays on healthcare, public administration, and education contributed to higher public consumption. Nevertheless, these increases were dampened by a decline in investment spending (3.6%), both private and public. Stronger re-export activity and household spending were accompanied by a rise in the demand for imports. Nonetheless, the trade surplus improved by 14.8% to €10.5 billion in the third quarter of 2010. Almost all sectors contributed to the economic recovery, with the exception of the agricultural, construction, and financial & business services sectors. Overall, the price climate remained calm as the inflation rate decelerated to 1.1% in the quarter ending September 2010, despite a rise in natural gas prices. Although the commercial services and manufacturing sectors registered more job vacancies, the unemployment rate rose to 4.4% with job losses among all ages.

Real GDP in Venezuela fell for the sixth straight quarter during the third quarter of 2010, despite the revival in global oil prices. Aggregate output dropped slightly by 0.4%, less than the depressed level of 4.6% during the July-September period in 2009. Decreases in the oil and non-oil sectors were the reasons for the underperformance of the economy. The oil sector suffered a drop because of less production of crude oil and refined products. Also, contraction in the non-oil sector, which includes mining, utilities, construction, trade, and financial services, led to the third-quarter decline in 2010. The long lasting recession is in part the result of the government's price and currency controls. The restrictive foreign exchange policy makes it difficult for companies to import any equipment and material for production. Moreover, the expanding nationalization program has driven away private investments, resulting in a shrinking private sector. The government attempted to slow down the soaring inflation by taking over food production and distribution, but consumer price inflation has remained high at 28.0% in the third quarter of 2010. Oil export accounts for about 90% of Venezuela's export earnings and half of the government's income. Throughout the months July-September 2010, Venezuela's current account surplus shrank further by 52% to $2.5 billion as external demand continued to decline, mitigated by lower imports. However, the shrinking current account surplus was not compensated by the capital account, the deficit of which worsened by 32% to $1.9 billion. Still faced with an economic downturn, the jobless rate remained unchanged at 8.4% in September 2010.

GENERAL ECONOMIC DEVELOPMENTS IN THE NETHERLANDS ANTILLES

Similar to the third quarter of 2009, the economy of the Netherlands Antilles maintained its downswing as real GDP shrank by 0.4% in the third quarter of 2010. This slump was the result of a contraction in foreign and private demand, the latter due solely to lower investment spending. Import demand saw a renewed growth, while exports of goods & services fell, worsening the downturn in net exports. Nevertheless, these negative developments were dampened in part by the gain in public demand. Inflationary pressures were up in the third quarter of 2010 as the inflation rate rose to 2.4%, owing largely to the ascent of world prices in food and oil (see Graph 1).

Graph 1 Economic development (annual quarterly change)



Source: BNA estimates

Economic momentum in the Netherlands Antilles was weak because of a decline in net foreign demand, which resulted from decreased export activity and increased import demand (see Table 2). Lower foreign demand was related to a drop in free-zone re-exports and fewer activities in the refinery. Meanwhile, imports expanded, as reflected by the growth in the wholesale & retail sector and rising world food and oil prices. The contraction in net export demand was eased somewhat by the gain in domestic spending. Increases in private and public consumption were the main contributing components of the upturn in domestic demand. The government continued its expansionary budget policy, which started in the second quarter of 2009. Public consumption rose again because of higher outlays on wages & salaries and goods & services in connection with the addition to payrolls, salary adjustments, and technical assistance. Conversely, private demand contracted as investments decreased at a faster rate than the rise in consumer spending. The gain in private consumption was attested to by the perceptible upturn in consumer loans and the revival in import demand.

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

	2009-III[1]	2010-III
Domestic expenditure, of which:	-0.1	1.3
Private sector	-1.5	-0.3
- Investment	-1.0	-0.9
- Consumption	-0.5	0.6
Government sector	1.4	1.6
- Investment	0.2	0.0
- Consumption	1.2	1.6
Changes in inventory	-0.1	1.0
Foreign net expenditure, of which:	-0.1	-2.6
Export of goods and services	-10.0	-2.0
Import of goods and services	-9.9	0.6
GDP	-0.4	-0.4
Net primary income	-1.7	1.3
Gross national income	-2.0	0.9
Net current transfers from abroad	10.8	-1.6
Gross national disposable income	8.8	-0.6

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

Throughout 2010's third quarter, gross national income of the Netherlands Antilles improved because of expanded net primary income from abroad. The increase in net primary income was largely a result of lower interest payments on foreign investments. Nonetheless, national savings declined as lower private savings outpaced the gain in public savings. Despite a rise in public consumption, the public finances improved. An increase in public savings was backed mostly by grants from the Dutch government towards the debt relief. Overall, the higher level of consumption was funded through increased domestic borrowing and foreign financing.

Domestic production

[1] Third-quarter GDP figures for 2009 have been revised to -0.4%, down from a previously estimated 0.8% gain. These GDP estimates are based on more recent data. The downward revisions at the sectoral level were in the following sectors: construction, storage & communication, and other community, social, & personal services. Moreover, the downward revision among the expenditure components was in the private demand.

In the third quarter of 2010, the private sector contributed significantly to the decline in overall economic output. The weak economic development was led by many sectors but predominantly evident in manufacturing and construction (see Table 3). By contrast, the expansion in the public sector compensated somewhat for the decrease in private sector activity. Fiscal policy loosened, resulting in higher public spending as outlays on wages & salaries and goods & services were up.

During the September quarter of 2010, total value added in the manufacturing sector decreased by 7.8%, attributable to both the oil refinery and the ship repair industry. The considerable contraction in the "Isla" refinery's production was caused by the prolonged shutdown of the plants as of March 2010 due to power supply and air compressor problems. As a result of the ongoing difficulties, total operational expenses of the refinery also shrank. The downturn in the ship repair industry, measured by the number of man-hours sold, also made a negative contribution to the manufacturing sector.

Table 3 GDP by sector (real percentage changes)

Sector	2009-III	2010-III
Agriculture, fishery, & mining	-6.1	-3.8
Manufacturing	-1.5	-7.8
Electricity, gas, & water	4.2	-0.6
Construction	-3.5	-6.2
Wholesale & retail trade	-5.1	4.7
Restaurants & hotels	-1.9	-1.3
Transport, storage, & communication	-2.1	-2.8
Financial intermediation	2.2	-1.9
Real estate, renting, & business activities	1.9	-1.1
Other community, social, & personal services	-1.2	-0.2
Private households	1.3	1.2
Total private sector	-0.6	-1.1
Public sector	1.2	6.9
Taxes minus subsidies	-0.1	-4.1
GDP	-0.4	-0.4

BNA estimates

Little confidence existed for expanding construction investment activities as the Netherlands Antilles faced an economic downturn because of the sluggish recovery of the advanced economies. Hence, construction spending declined further in the three months ending September 2010. No major construction investments were reported on the islands following completion of the harbor expansion in St. Maarten and the finalization of some hotel and retail projects in 2009. The slower pace of growth in mortgages matched developments in the construction sector. The gloomy outcome also was reflected in the decline in imports of construction goods and services.

Tourism activities were mixed in the Netherlands Antilles[2] during the months of July-September 2010. Stay-over tourism arrivals continued their decline (2.2%), attributable to decreased arrivals in both Curaçao and St. Maarten. This decline stemmed from decreases in

[2] Excluding Bonaire

tourist numbers from North America and South America, outweighing the gain in European and Caribbean visitors. In contrast, cruise tourism showed an impressive growth of 58.0%, owing solely to St. Maarten. During the third quarter, more cruise calls as well as larger cruise ships accounted for this buoyant outcome. While cruise passenger arrivals were up, they tend to contribute less to the domestic economy than stay-over visitors. Hence, the drop in the number of stay-over tourists in the Netherlands Antilles made a negative contribution to the hotels & restaurants sector (1.3%), although the amount was more moderate than in 2009.

An analysis by island shows that the stay-over tourism industry has still not recovered as seen by a decline in Curaçao as well as St. Maarten. Third-quarter stay-over tourism in St. Maarten shrank further by 3.6% in 2010, albeit at a more moderate pace than in 2009. All tourist markets reported a decline with the exception of the South American market. The growth in the South American market was sustained by the marked gain in Brazilian visitors, related to the launching of the Gol charter flights in June 2010. Meanwhile, the slow recovery in the United States continued to have an adverse effect on the overall tourism performance, as visitors from the United States account for about 50% of St. Maarten's tourist arrivals. Additionally, fewer French tourists led to the drop in the European market. The stay-over performance was consistent with the development in the hotel occupancy rate, which remained low at 43.3%.

As opposed to the increase in 2009's third quarter, tourist passenger numbers in Curacao decreased slightly by 0.8% in the third quarter of 2010 as considerably fewer Venezuelans visited the island. Since the tightening of foreign exchange controls, the number of Venezuelan travelers has been declining. As of January 2010, the Venezuelan government raised the restrictions on foreign exchange, which made it more difficult for travelers to access U.S. dollars. Moreover, in June, the government introduced a new currency market, replacing the parallel market for U.S. dollar purchases. Meanwhile, the increase in Curaçao's main markets, i.e., North America and Europe, helped to mitigate the contraction in the South American market. The discernible increase in U.S. visitors in the third quarter of 2010 should be viewed against the backdrop of a reduction in the number of weekly flights by American Airlines in early 2009. Since the regular weekly flights were not reinstated before November 2009, the number of US visitors in 2010's third quarter was substantially higher than in the same quarter of 2009. The overall negative stay-over tourism development was reflected by the further decline in the hotel occupancy rate (71.2%) in the September quarter of 2010. Despite fewer stay-over tourist arrivals, tourist spending expanded, owing to more North American and European visitors. These tourists tend to spend more time on the islands and, hence, spend more on food and accommodation. (See Table 7 in the appendix for more details.)

The development in the transport, storage, & communication sector was unfavorable in the September quarter of 2010, with decreases in both cargo movements across ports and air transportation. The ports also were adversely affected by fewer ship calls. Airport-related activities shrank as total passenger traffic fell in both Curaçao and Bonaire. This outturn was also reflected in the poor developments in stay-over tourism and the air transportation sector. As opposed to the marked increase in 2009's third quarter, oil storage activities shrank and oil transshipment fell further in the third quarter of 2010. The communication sector reported an increase, partially offsetting the unfavorable performance of the ports and airports.

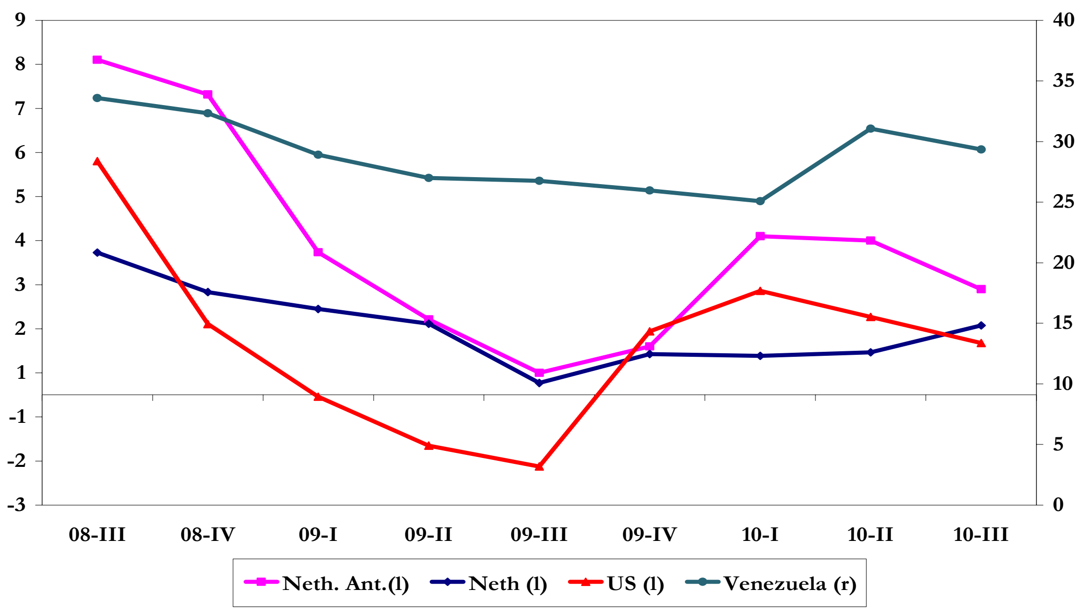
In addition, the financial services sector contracted due to a drop in value added in domestic financial services. Net income of the domestic commercial banks fell because the decline in income earned exceeded the cutback in expenses. Meanwhile, the international financial services sector saw a growth in activities because of increases in wages & salaries and other operational expenses.

Contrasting with the other sectors, the real value added in the wholesale & retail trade sector rose by 4.7% in the third quarter of 2010 supported by increases in domestic spending and tourist spending. Also, the free zone contributed more to the wholesale & retail trade sector as businesses restocked their inventories.

Inflation

Consumer price inflation in the Netherlands Antilles reflected the rising global prices of oil and other commodities. Compared to the months July-September 2009, world oil prices rose by 10.7% in 2010's third quarter. An analysis of price developments on a quarterly basis reveals that the rate of inflation accelerated from 0.5% in the third quarter of 2009 to 2.4% in the quarter ending September 2010 (see Graph 2). "Food" and "Housing" posted the highest price gains of 4.7% and 4.1%, respectively. Food prices continued their ascent, in particular, fresh produce and meat products. In addition, "Housing" and "Transport & Communication" rose by, respectively, 7.4 and 3.2 percentage points because the higher price index was carried over from the second quarter of 2010 when gasoline and utility prices increased. However, price deflation in the categories clothing & footwear (1.1%) and recreation & education (0.1%) dampened the inflationary pressures. An analysis by island indicates that in the third quarter of 2010, Curaçao recorded the highest inflation of 2.5%, followed by St. Maarten (2.2%) and Bonaire (2.0%). (See Table 8 in the appendix for a detailed overview.)

Graph 2 Developments in consumer prices (annual quarter-to-quarter percentage change)



DEVELOPMENTS IN PUBLIC FINANCE

The government sector contributed positively to economic growth during 2010's third quarter. However, this contribution was outweighed by the noted fall in private spending. The gain in government spending was triggered mainly by increased outlays on wages &

salaries and goods & services. Total investments in the projects included in the social economic initiative (SEI) and other development projects also grew in the third quarter of 2010, although at a slower pace than the year before. The main aim of the SEI projects is to achieve a higher sustainable level of socioeconomic development, which will serve as a stable foundation for the new entities established in the Dutch Kingdom on October 10, 2010. The debt relief program also contributes to this foundation by bringing the public sector's debt down to a sound and manageable level, on the one hand, and on the other hand, by imposing norms that restrict the accumulation of new debt. Throughout the months July-September 2010, the general government[3] received NAf.427.3 million from the Netherlands to comply with its regular debt service, make early repayments on a number of loans, and settle some arrears. In addition, the central government received NAf.270.9 million in dividend tax transfers related to the tax arrangement for the Kingdom of the Netherlands (BRK).[4] Largely as a result of these transactions, the general government surplus registered in 2010's third quarter improved by NAf.486.0 million over that of 2009's third quarter, reaching NAf.573.4 million. (See Table 9 in the appendix.)

The rise in general government revenues during the third quarter of 2010 compared to the same quarter of 2009 can be ascribed mostly to the receipt of grants from the Netherlands. These grants consisted mainly of debt relief funds and dividend tax transfers, and to a minor extent, transfers to settle obligations related to the activities of the Netherlands Antillean coast guard. In contrast, total tax and nontax revenues declined at both government levels. The fall in tax revenues was a reflection of lower collections in almost all tax categories, including sales tax. Revenues from import duties were one of the few categories to show a small rise, owing to increased imports during the three months ending September 2010. At the central government level, nontax revenues showed a decline weighed against the third quarter of 2009, led by a drop in profit and license fee payouts by the central bank. Meanwhile, at the island government level, the fall in nontax revenues was attributable to fewer dividend payouts received from public enterprises during the third quarter of 2010, compared to the same period a year earlier.

On the expenditure side, a 5.8% growth in overall spending was registered, related primarily to increased outlays on wages & salaries and goods & services. The growth in these two expenditure categories can be ascribed mainly to the ongoing constitutional reform. The rise in the central government's disbursements on wages & salaries reflected largely the filling of vacant positions and the adjustment of civil servant salaries on all island territories, prior to the dissolution of the Netherlands Antillean federation. The increase in the island government of Curaçao's outlays on wages & salaries also was related to salary adjustments during the third quarter of 2010. The rise in the government sector's consumption of goods & services was largely a reflection of higher technical assistance costs incurred during the quarter ending September 2010. Furthermore, the central government settled some of its payment arrears with the local telecommunications company, UTS, contributing to the upturn in goods & services. The noteworthy rise in total transfers made by the island government of Curaçao during the third quarter of 2010 was for the most part related to funds transferred to the local hospital (SEHOS).

Net borrowing by the general government remained negative in 2010's third quarter, largely as a consequence of the debt relief grants and dividend tax transfers received from the Netherlands. At the central government level, these funds resulted largely in a rise in deposits with the banking sector. Moreover, the central government's outstanding securities with the public dropped, following a few early loan repayments made with debt relief grants. During

[3] The general government consists of the central government and the island government of Curaçao.
[4] As part of the BRK, all withholding tax collected on dividends paid by Dutch companies to their parent companies in the Netherlands Antilles is transferred to the government of the Netherlands Antilles.

the September quarter of 2010, the island government of Curaçao also made some early loan repayments, in addition to redeeming its maturing securities. These transactions are reflected in the drop in the island's total nonmonetary financing as well as the decline in obligations with the commercial banking sector. However, the decline in the latter was outweighed by the fall in Curaçao's deposits with the central bank, culminating in an overall increase in the island government's monetary financing (see Table 4).

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

	Central government		Curaçao government	
	2009-III	2010-III	2009-III	2010-III
Monetary financing	97.2	-280.0	-221.7	53.6
Central bank	104.9	-250.8	-128.6	76.9
Commercial banks	-8.4	-29.6	-93.1	-23.3
Coins and notes	0.7	0.4	-.-	-.-
Nonmonetary financing	-63.3	-125.1	-16.3	-222.0
Government securities with the public	-65.4	-143.3	-31.5	-38.4
Other	2.1	18.2	15.2	-183.6
Cash balance	-33.9	405.1	238.0	168.3

Public sector debt

The declining trend in the public debt of the Netherlands Antilles, which began after the initiation of the debt relief program, continued during 2010's third quarter. The government sector's debt dropped by NAf.296.5 million, registering at NAf.4.5 billion or 61.9% of GDP at the end of the quarter. With the approach of October 10, 2010, the date on which the dissolution of the central government was projected to be completed, the debt relief program picked up more speed. Anticipating the debt takeover[5] on October 10, 2010, the government of the Netherlands decided to settle all outstanding loans that allowed early repayment. In addition, the Netherlands settled part of the foreign debt of the Netherlands Antilles. These transactions are reflected in the drop in both the domestic (6.6%) and foreign (3.3%) shares of public debt. In due course, the debt relief is projected to result in a final Netherlands Antillean debt-to-GDP ratio of approximately 32% (see Graph 3).

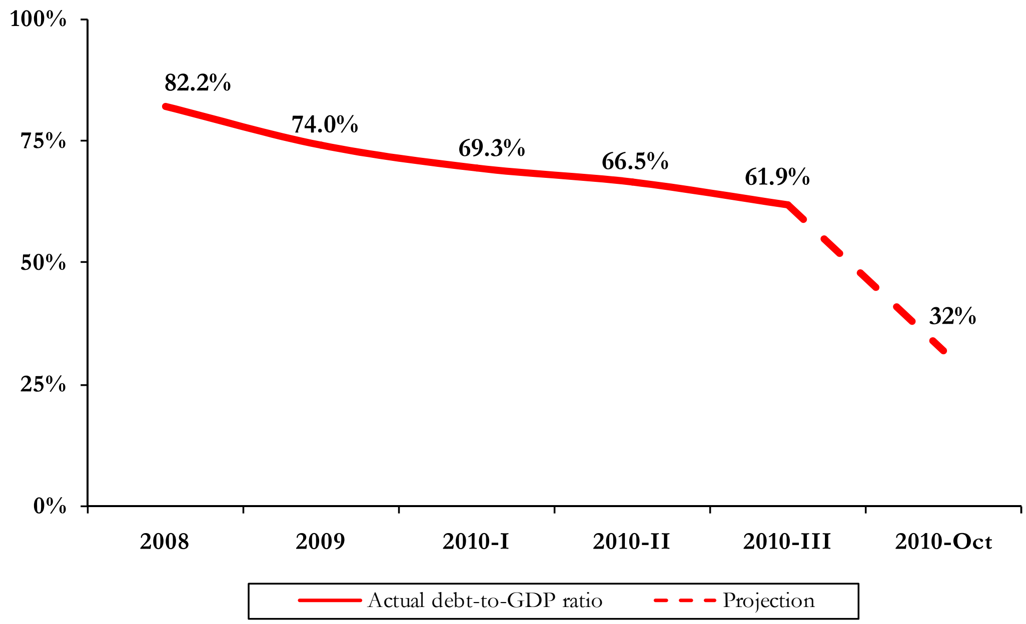
During the September quarter of 2010, the central government's outstanding securities balance dropped by NAf.136.0 million on a net basis, reflecting the early repayment made on an outstanding loan. In addition, the drop in the entity's obligations with the public pension fund, APNA, was caused by the early settlement of a mortgage loan. Nevertheless, the central government's domestic debt still showed a NAf.54.7 million net increase, due to a jump in its obligations with the island government of Curaçao. This jump occurred because 75% of the dividend tax transfers related to the tax arrangement for the Kingdom of the Netherlands (BRK) received in the third quarter of 2010 had not yet been transferred to the island government of Curaçao.

Curaçao's domestic debt showed a NAf.18.0 million drop in the three months ending September 2010, due mainly to redemptions made on outstanding loans using debt relief funds. The island government also used its own funds to make an early repayment on one of its loans obtained from the APNA, contributing to the NAf.14.8 million drop in the island's liabilities to the fund. The noted rise in Curaçao's liabilities to the central government during the third quarter of 2010 was the result of a reclassification of mutual obligations between

[5] According to the agreements made with the Netherlands, the Dutch State will take over the legal ownership of all outstanding securities of the central government and the island government of Curaçao on October 10, 2010.

the central government and the island territory. This reclassification also led to an increase in the liabilities of the island governments of Bonaire and Sint Maarten to the central government. Overall, the domestic obligations of the BES islands[6] showed a fall in 2010's third quarter as all three islands settled the larger part of their liabilities to the APNA.

Graph 3 Development of total public debt-to-GDP ratio



The decrease in the foreign share of public debt of the Netherlands Antilles (NAf.23.6 million) was due to the settlement of some of the country's foreign obligations by the Netherlands as part of the debt relief. Over the course of the three months ending September 2010, the Dutch government transferred €30.2 million directly to the entrepreneurial development bank of the Netherlands (FMO[7]) to settle some of the liabilities of the Netherlands Antilles with this institution. Additionally, the Netherlands paid off the total outstanding debt of the Netherlands Antilles with the European Investment Bank (EIB). These transactions resulted in a NAf.92.3 million drop in the foreign debt share of public debt in the third quarter of 2010, compared to the previous quarter. However, since the euro appreciated versus the Netherlands Antillean guilder during the third quarter of 2010, the guilder-equivalent of the euro-denominated foreign debt increased, mitigating the drop in this debt. (See Table 10 in the appendix for more details).

DEVELOPMENTS IN THE BALANCE OF PAYMENTS

The current account of the balance of payments recorded a deficit of NAf.463.0 million in the September quarter of 2010. Compared to the same period of 2009, the deficit rose by NAf.112.6 million. This increase was due mainly to a decline in net foreign demand as imports of goods and services grew while exports dropped. In addition, net current transfers from abroad declined. In line with the developments on the current account, the combined capital and financial account deteriorated (see Table 5).

[6] Bonaire, Saba, and Sint Eustatius.
[7] Financieringsmaatschappij voor Ontwikkelingslanden.

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

	2008-III	2009-III	2010-III
Current account	-555.1	-350.4	-463.0
Capital transfers	64.2	19.1	8.1
External financing of the government	3.7	3.2	3.0
External financing of the private sector	433.1	327.5	681.1
- Direct investment	159.6	44.9	153.3
- Loans and credits	336.2	258.3	716.2
- Portfolio investments	-62.7	24.3	-188.4
Change in net foreign assets of the banking system *)	28.6	-32.8	-276.4
- with commercial banks	108.5	-23.2	170.7
- with central bank	-79.9	-9.8	-447.1
Statistical discrepancies	25.3	33.4	47.2

*) a minus sign implies an increase

Current account

Import of goods and services rose by NAf.61.2 million during the third quarter of 2010. The free-zone companies in Curaçao imported more merchandise to replenish their inventories. Increased domestic demand and higher tourism spending also contributed to the rise in merchandise imports. In addition, higher average food and oil prices on the international markets increased the import bill. Import growth was offset partly by a decline in construction services from abroad as the expansion of the harbor in Sint Maarten was completed in 2009.

Export of goods and services contracted by NAf.29.2 million due largely to a decline in the fee received for refining operations in Curaçao and St. Eustatius. This decline can be attributed to the shutdown of the Isla Refinery in Curaçao since March 2010 because of power outages at the BOO energy plant. The export contraction also was related to a drop in merchandise exports by the free-zone companies, in particular to Venezuela. Furthermore, oil storage fees received from abroad shrank as a result of a drop in oil storage activities.

In contrast, foreign exchange revenues from the tourism industry rose by NAf.57.8 million, owing mainly to increased cruise tourism earnings on the Windward Islands. The latter grew by NAf.31.4 million (48.9%) during the third quarter of 2010 compared to the third quarter of 2009. Meanwhile, foreign exchange revenues from stay-over tourism remained practically unchanged on the Windward Islands. In Curaçao, receipts from stay-over tourism rose by NAf.13.7 million (8.0%) despite a decline in the number of stay-over visitors. The gain in receipts occurred because the sharp decline in Venezuelan tourists was accompanied by increased visitors from the United States and the Netherlands. Compared to Venezuelan visitors, American and Dutch visitors stay longer on the island. In addition, the American visitor has a higher average spending than the Venezuelan. Hence, in terms of foreign exchange revenues, increased earnings from American and Dutch visitors outweighed the decline in Venezuelan stay-over tourism receipts. Meanwhile, cruise tourism revenues dropped by NAf.2.6 million (50.0%).

As the contraction in exports was accompanied by a growth in imports, net foreign demand dropped by NAf.90.4 million. Meanwhile, the income balance improved by NAf.26.9 million as a result of a decline in interest payments on foreign investments in the Netherlands

Antilles. In contrast, the current transfers balance deteriorated by NAf.49.1 million because fewer debt relief grants were transferred by the Dutch government in the third quarter of 2010 than in the third quarter of 2009. Overall, the current account balance worsened by NAf.112.6 million to reach a deficit of NAf.463.0 million in the September quarter of 2010. (See Table 11 in the appendix for more details.)

Financing of the current account balance

Due to the larger current account deficit, net foreign indebtedness of the private sector grew by NAf.681.1 million in the September quarter of 2010. The increased financing of the private sector was related to a deterioration of the loans and credit balance (NAf.716.2 million) and the direct investment balance (NAf.153.3 million), offset partly by an improvement of the portfolio investment balance (NAf.188.4 million). The latter improved as a result of increased investments by institutional investors in foreign equity and debt securities.

The worsening of the loans and credit balance can be ascribed to a transfer from the Netherlands of dividend taxes paid by Dutch companies to their parents in the Netherlands Antilles related to transactions in the past.[8] Furthermore, financial corporations operating in the Netherlands Antilles repatriated foreign assets to fund their local activities. The withdrawal of funds abroad by domestic companies to finance part of their imports also contributed to the deterioration of the loans and credit balance. In addition, the net trade credit balance worsened because trade credits received on imports exceeded repayments on trade credits.

The direct investment balance deteriorated in the third quarter of 2010, driven by an increase in claims of foreign direct investors in the Netherlands Antilles. This increase was related to, among other things, the purchase of real estate by nonresidents in the Netherlands Antilles and investments in the telecommunications industry in Curaçao. Meanwhile, capital transfers shrank by NAf.11.0 million as fewer development aid funds were received compared to the third quarter of 2009.

Due to the large capital inflows, net foreign assets (i.e., reserves) increased by NAf.276.4 million in the third quarter of 2010, reflecting a surplus on the balance of payments. This increase resulted from a rise of NAf.447.1 million in the net foreign assets held by the central bank, partly offset by a decline of NAf.170.7 million in the net foreign assets held by the commercial banks (See Table 12 in the appendix for a detailed overview.)

MONETARY DEVELOPMENTS

Monetary policy

Monetary policy in the Netherlands Antilles is directed at guaranteeing the external stability of the Netherlands Antillean guilder (NAf.). To this end, an official reserves target, which is equal to three months of projected merchandise imports, is pursued. Through steering of the surplus liquidity in the domestic money market, the Bank tries to influence domestic credit expansion and, subsequently, domestic spending and imports. During the September quarter of 2010, the Bank continued its policy of monetary easing. The low level of international interest rates, a slowdown in economic growth, and an adequate level of international reserves facilitated the loosening of monetary policy. The Bank uses the reserve requirement

[8] The tax arrangement of the Kingdom of the Netherlands (BRK).

and the auctioning of Certificates of Deposit[9] (CDs) as its main monetary policy instruments, both directed at influencing the amount of base money.

During the third quarter of 2010, more liquidity was added to the banking system through the inflow of debt relief funds and other transfers from the Dutch government. However, the extra liquidity did not result in excessive credit growth. Hence, the percentage of the reserve requirement, which remains fixed for one month, was cut by 75 basis points to 8.00% at the end of September 2010.

The Bank deployed its other monetary policy tool, the auctioning of CDs, in a neutral manner and offered no extra CDs at the biweekly auctions. The Bank's official interest rate, the pledging rate, remained unchanged at 1.00% during the third quarter of 2010.

Monetary base

The monetary base, M0, is a measure of the Bank's monetary liabilities and consists of currency in circulation and the commercial banks' current account balances with the Bank. During the September quarter of 2010, M0 expanded by NAf.171.4 million (22.7%) compared to the previous quarter. (See Table 14 in the appendix for more details.) The annual growth rate of M0 swelled from 25.2% in June to 46.2% in September 2010. This growth stemmed entirely from an increase in the commercials banks' current account balances with the Bank. In contrast, currency in circulation declined by NAf.5.9 million.

The expansion in M0 during the September quarter reflected mainly the increase in the Bank's net foreign assets. The considerable gain in the Bank's net foreign assets (NAf.446.7 million) was ascribable to the receipt of collected dividend tax related to the tax arrangement for the Kingdom (BRK) and the transfer of funds towards debt relief by the Dutch government.

Factors affecting the money supply

During the September quarter of 2010, the money supply (M2) expanded by 3.2% due to an increase in the net foreign assets of the banking system. Underlying this development was the boost in narrow money (M1). Narrow money added NAf.240.9 million (7.3%) to the money supply as opposed to a drop of NAf.79.1 million (2.4%) in the June quarter of 2010. The increase in M1 was driven entirely by an increase of 12.2% in demand deposits in local currency.

Money holdings of the private sector reached NAf.7,815.3 million at the end of the third quarter of 2010, reflecting an increase of NAf.244.1 million in the money supply. Increases in net foreign assets (NAf.276.1 million) and in miscellaneous balance items (NAf.32.8 million) contributed to the rise in the domestic supply of money. These increases were mitigated by a drop in net domestic assets (NAf.32.0 million). The increase in net foreign assets was reflected by a substantial rise in the central bank's net foreign position by NAf.446.7 million, while that of the commercial banks declined by NAf.170.6 million.

The drop in net domestic credit was the result of a decline of NAf.272.5 million in credit to the government due to the implementation of the debt relief program. This decline outweighed increases in private sector assets (NAf.207.7 million) and in miscellaneous balance sheet items. On a year-on-year basis, net domestic credit growth at the end of September 2010 remained the same as at end-June (1.3%).

[9] These are negotiable securities issued by the Bank.

The rate of growth in loans extended to the private sector accelerated to 3.9% in the September quarter of 2010 from 1.2% in the previous quarter. However, the annual growth rate decelerated from 10.6% in September 2009 to 7.0% in September 2010. The Leeward Islands contributed most to 2010's third-quarter growth in private loans. Increases in consumer loans (10.3%) and in business loans (6.9%) contributed to a 5.0% growth in private sector loans. Outstanding mortgages remained the same. The 1.4% increase in private loans on the Windward Islands was due to the gain in consumer loans (7.3%) outweighing the declines in mortgages (0.4%) and in business loans (0.7%). (See Table 15 in the appendix for more details.)

Developments in domestic interest rates

In setting the rate offered on CDs during the bi-weekly auctions, the Bank takes into account developments in international interest rates through the US dollar libor rates.[10] In line with the decline in the benchmark libor rates in the September quarter of 2010, the Bank's 1-month CD rate was adjusted downwards from 0.22% in the second quarter of 2010 to 0.20% in the third quarter of 2010.

The interest rates of domestic commercial banks continued their decreasing trend. With respect to the borrowing rates, the average rate on time deposits with an agreed maturity of one year decreased in the September quarter of 2010 to 1.8% compared with 1.9% in the previous quarter. The average rate on passbook savings reached 1.3% in the third quarter of 2010, compared to 1.5% in 2010's second quarter.

Considering the lending rates, the average rate of time loans dropped from 9.4% in the June quarter of 2010 to 9.3% in the September quarter. The average mortgage rate reached 6.9% in 2010's third quarter compared to 7.1% in the previous quarter

Because no activities occurred in the market for government securities during the September quarter of 2010, both the average effective yield of 5-year government bonds and the 1-month treasury bill yield remained unchanged at 3.3% and 0.6%, respectively. (See Table 16 in the appendix for a detailed overview).

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

In the September quarter of 2010, the balance sheet of the commercial banks expanded again after having shortened in the June quarter of 2010. This development was caused primarily by increases in loans and in non-interest-bearing cash. Furthermore, increases in fixed and other assets and investments in unconsolidated subsidiaries and affiliates added to the expansion in total assets by NAf.295.2 million (2.1%). The expansion in these items was partly offset by declines in interest-bearing cash and investments.

Increases in deposits and other liabilities complemented by more borrowings caused total liabilities to expand during the September 2010 quarter. The increase in deposits was the result of more time deposits while both demand and savings deposits declined. As the commercial banks tried to preserve their interest margin, the share of the interest-bearing deposits (time and savings deposits) to total deposits declined from 59.2% in the third quarter of 2009 to 56.5% in the third quarter of 2010.

[10] The London interbank offer rate, the main gauge of interbank lending.

The share of total capital in total liabilities and capital remained unchanged at 10.3% at the end of the September 2010 quarter compared to the previous quarter. (See Table 17 in the appendix for more details.)

A decline in total operational expenses (10.3%) combined with an increase in total operational income (0.7%) boosted net operational income of the domestic banking sector by 30.1% in the third quarter of 2010 compared to 2009's third quarter. The drop in total operational expenses was due to a substantial drop in the net addition to general provisions. The increase in total operational income resulted from an increase in net interest income, which increased by 6.2% as the commercial banks managed to reduce interest expenses by 26.0% while interest income dropped by only 2.8%. Despite the increase in net operating income, net income after taxes dropped by 22.0%, reaching NAf.43.0 million in the third quarter of 2010, due primarily to a drop in net extraordinary items. (See Table 18 in the appendix for more details.)

Financial soundness indicators

The Bank analyzes the general performance of the banking sector through financial soundness indicators (FSI). FSI are aggregates of microprudential indicators used to assess the soundness of individual banks. This microprudential approach has its limits since the microeconomic variables used take only the exposure of individual banking institutions into account. Therefore, macroeconomic factors also are factored in by carrying out stress tests. These stress tests together with the FSI constitute a macroprudential approach aimed at better assessing the vulnerability of the banking system to shocks and the extent of systemic risk.

The ratio of total capital-to-total assets remained unchanged at the end of the third quarter of 2010 compared to the second quarter. Increases in qualifying Tier 1 capital (1.8%) and in total assets (2.0%) caused the ratio to remain at 10.7%. However, this ratio exceeded the internationally acknowledged benchmark of 4.0%, indicating that the adequacy of the capital stock of the domestic banks is relatively strong.

The quality of the commercial banks' assets portfolio improved slightly during the third quarter of 2010 compared to the second quarter. A stronger increase in provisions (2.7%) than in nonperforming loans (2.4%) resulted in a slight increase in the ratio of provisions for loan losses-to-nonperforming loans from 49.9% to 50.0%. The ratio of nonperforming loans-to-total loans dropped marginally from 6.2% to 6.1% because the increase of 3.4% in total loans exceeded the up-tick in nonperforming loans (see Table 6).

The earnings indicators reflected an improvement in the profitability of the domestic banking sector in the September quarter of 2010 compared to the September quarter of 2009. With the easing of the downward pressure on interest rates from the international financial crisis and the debt relief, interest income generated by the commercial banks increased. Combined with a decline in interest expenses, net income improved. As a result, the net interest margin improved from 4.1% in the third quarter of 2009 to 4.5% in the third quarter of 2010. The marginal increase in interest income together with the rise in the average outstanding amount of earning assets caused the gross earning-assets yield to drop to 5.9% at the end of the third quarter of 2010, down from 6.0% in 2009's third quarter. The return-on-assets ratio increased from 1.7% in the third quarter of 2009 to 2.0% in 2010's third quarter because a higher gain was realized in net income before dividend and taxes than in total assets.

Finally, the ratio of total loans-to-total deposits, which provides an indication of the development of liquidity in the domestic banking sector, increased from the June quarter to the September quarter of 2010. The upturn in this ratio reveals a drop in liquidity and was due mainly to a bigger increase in loans extended than in the deposit base.

Table 6 Financial stability indicators (in %, end of period)

	2009-III	2009-IV	2010-I	2010-II	2010-III
Capital adequacy					
Total capital/total assets	10.5	10.2	10.7	10.7	10.7
Asset quality					
Nonperforming loans/total loans	5.8	5.7	5.5	6.2	6.1
Provisions for loan losses/non-performing loans	50.1	50.3	56.9	49.9	50.0
Earnings					
Gross-earning-assets yield	6.0	6.1	6.0	5.9	5.9
Net interest margin	4.1	4.4	4.4	4.4	4.5
Return-on-assets	1.7	1.8	1.9	1.9	2.0
Liquidity					
Total loans/ total deposits	64.7	61.7	57.9	59.6	60.7

APPENDIX

Table 7 Developments in stay-over tourism per island (% change)[11]

	Curaçao				St. Maarten			
	2009-III		2010-III		2009-III		2010-III	
North America, of which:	-14.4	(-0.7)	40.9	(3.0)	-2.9	(-0.8)	-7.3	(-1.8)
-U.S.A.	-15.3	(-0.7)	41.4	(2.8)	-3.7	(-0.9)	-6.7	(-1.7)
Europe, of which:	17.2	(3.1)	9.5	(2.1)	-10.0	(-1.2)	-0.9	(-0.1)
-The Netherlands	19.8	(3.1)	9.5	(1.8)	-14.7	(-0.2)	8.2	(0.2)
South & Central America, of which:	4.3	(0.6)	-31.9	(-3.6)	-27.0	(-0.4)	22.4	(0.4)
-Venezuela	5.2	(0.6)	-51.2	(-3.1)	-17.5	(-0.1)	-18.5	(-0.1)
-Colombia	19.4	(0.1)	1.8	(0.0)	---	---	---	---
Caribbean, of which:	-11.8	(-0.6)	17.5	(1.1)	-15.9	(-0.6)	-12.5	(-0.4)
-Dominican Republic	11.4	(0.0)	-5.1	(0.0)	9.8	(0.0)	-23.7	(-0.1)
Total	4.7	(2.0)	-0.8	(-0.4)	-7.2	(-3.5)	-3.6	(-1.8)

Sources Curaçao Tourist Board and St. Maarten Tourist Bureau

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

	2009-II	2009-III	2009-IV	2010-I	2010-II	2010-III
Food	12.9	7.8	3.9	3.0	3.6	4.7
Beverages & tobacco	7.3	5.3	4.0	3.6	3.2	3.3
Clothing & footwear	1.9	1.9	1.9	-0.3	-1.3	-1.1
Housing	-2.3	-3.3	0.4	5.6	6.2	4.1
Housekeeping & furnishings	6.9	4.9	2.3	1.5	0.6	0.7
Health	1.9	2.4	2.3	2.5	2.1	1.5
Transport & communication	-2.3	-2.4	-1.9	3.6	3.4	0.8
Recreation & education	1.4	1.3	0.9	0.6	0.3	-0.1
Other	3.7	3.4	3.6	3.1	2.4	2.0
General inflation rate	1.7	0.5	1.1	3.6	3.5	2.4

Source: Central Bureau of Statistics

[11] Weighted growth rates between brackets

Table 9 Budgetary overview (in millions NAf.)

	2007-III	2008-III	2009-III	2010-III
General government				
Revenues	341.5	388.8	586.0	1101.1
Tax revenues, of which:	325.4	367.5	387.5	363.0
Taxes on income and profits	134.7	151.6	169.1	159.1
Taxes on goods and services	127.3	150.2	150.3	133.2
Taxes on international trade and transactions	41.1	44.3	42.3	45.9
Nontax and other revenues	10.6	15.4	96.7	36.5
Grants	5.5	5.9	101.8	701.5
Expenditures	403.7	471.3	498.6	527.7
Current expenditures, of which:	397.7	429.8	491.8	523.8
Wages and salaries	141.5	159.2	175.8	200.7
Goods and services	102.0	100.7	123.8	138.2
Subsidies	8.2	11.7	13.1	12.4
Transfers	74.0	81.8	114.0	96.4
Interest payments	72.0	76.5	65.0	76.0
Capital expenditures	5.9	41.5	6.7	3.9
Budget balance	-62.2	-82.5	87.4	573.4
Central government				
Revenues	187.7	215.1	298.5	667.9
Tax revenues, of which:	176.7	202.9	195.7	184.4
Taxes on goods and services	121.6	141.9	136.6	124.7
Taxes on international trade and transactions	41.1	44.3	42.3	45.9
Nontax and other revenues	5.5	6.3	56.0	23.6
Grants	5.5	5.9	46.8	459.9
Expenditures	216.2	254.2	270.6	262.8
Current expenditures, of which:	211.8	215.3	264.9	261.0
Wages and salaries	75.3	78.9	82.2	95.9
Goods and services	25.2	25.2	33.8	45.6
Transfers	78.7	79.5	116.9	85.7
Interest payments	32.6	31.7	32.0	33.8
Capital expenditures	4.4	38.9	5.7	1.8
Budget balance	-28.5	-39.1	27.9	405.1
Island government of Curaçao				
Revenues	189.1	211.6	333.8	481.6
Tax revenues, of which:	148.7	164.6	191.8	178.6
Taxes on income and profits	134.7	151.6	169.1	159.1
Taxes on goods and services	5.7	8.3	13.7	8.5
Nontax and other revenues	5.1	9.1	40.7	12.9
Grants	35.2	37.9	101.3	290.0
Expenditures	222.7	255.0	274.3	313.2
Current expenditures, of which:	221.2	252.4	273.2	311.2
Wages and salaries	66.2	80.3	93.6	104.8
Goods and services	76.8	75.5	90.0	92.6
Transfers	30.6	40.1	43.4	59.1
Interest payments	39.4	44.8	33.0	42.2
Capital expenditures	1.5	2.6	1.0	2.1
Budget balance	-33.7	-43.4	59.5	168.3

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

	2009-III	2009-IV	20010-I	2010-II	2010-III
Domestic consolidated debt, of which:	4,665.4	4,434.9	4,196.5	4,105.3	3,832.4
Central government, of which:	2,546.2	2,404.7	2,209.1	2,223.5	2,278.3
Long-term securities	2,041.8	1,898.2	1,785.8	1,785.8	1,649.8
Short-term securities	22.2	5.8	0.0	0.0	0.0
APNA	236.1	232.1	148.7	150.3	140.2
SVB	27.1	19.0	21.3	45.3	42.6
Curaçao, of which:	2,369.9	2,235.3	2,197.5	2,139.5	2,121.5
Long-term securities	882.3	875.3	875.3	875.3	812.8
Short-term securities	122.3	49.4	11.1	0.0	0.0
APNA	823.5	812.3	805.6	800.3	785.6
SVB	0.0	0.0	0.0	0.0	0.0
Central government	332.7	286.4	301.2	310.5	388.2
St. Maarten	208.9	198.9	208.0	211.0	228.6
BES islands[2]	208.0	192.2	196.6	166.7	161.8
Foreign debt	826.3	849.8	792.5	720.8	697.2
Total debt (consolidated)	5,491.7	5,284.7	4,989.0	4,826.1	4,529.6
(% of GDP)	77.0%	74.0%	69.3%	66.5%	61.9%

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

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

	2008-III	2009-III	2010-III
Trade balance	-897.8	-811.2	-894.8
-Exports	543.5	350.4	353.3
-Imports	1,411.3	1,161.5	1,248.1
Services balance	394.2	371.6	364.8
Receipts, of which:	808.5	814.2	782.0
-Travel	425.1	397.5	455.3
-Transportation	82.1	74.2	83.1
-Other services, of which:	301.3	342.4	243.6
-Int. fin & bus. services sector	68.6	61.4	58.1
Expenses, of which:	414.4	442.6	417.2
-Travel	151.2	151.8	136.9
-Transportation	55.2	74.3	83.8
-Other services, of which:	208.0	216.5	196.5
-Int. fin & bus. services sector	25.3	31.4	29.9
Income balance[1)]	-9.4	-44.2	-17.3
Current transfers balance[2)]	-42.1	133.5	84.4
Current account balance	**-555.1**	**-350.4**	**-463.0**
Capital & financial account balance	**529.7**	**317.0**	**415.8**
Capital account balance	64.2	19.1	8.1
Financial account balance	465.5	297.9	407.7
Net errors & omissions	**25.3**	**33.4**	**47.1**

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

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

	2008-III	2009-III	2010-III
Direct investment	159.6	44.9	153.3
- Abroad [1)]	-7.1	-2.3	-5.8
- In the Netherlands Antilles [2)]	166.7	47.2	159.1
Portfolio investment [1)]	-62.7	24.3	-188.4
Other investment, of which:	218.8	174.2	586.7
- Assets [1)]	176.2	155.0	525.7
- Liabilities [2)]	42.6	19.2	61.0
Net lending/borrowing, of which:	121.2	87.4	132.6
- Assets [1)]	35.1	-6.4	3.5
- Liabilities [2)]	86.1	93.8	129.1
Reserves [3)]	28.6	-32.8	-276.4
Total assets [1)]	141.5	170.6	335.0
Total liabilities [2)]	295.4	160.2	349.2
Balance	246.7	123.8	-178.9

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.)

2010-III	Domestic sectors Private	Government	Banking	External sector
Nonfinancial transactions	-1,036.4	573.5		463.0
Government net lending	0.0	0.0		
Govt domestic nonbank financing	303.9	-303.9		
External financing of government		3.0		-3.0
External financing of private sector	681.1			-681.1
-Direct investment (equity)	153.3			-153.3
-Loans and credits	716.2			-716.2
-Portfolio, incl. debt	-188.4			188.4
Capital transfers	8.1			-8.1
Change in net foreign assets of the central bank			-447.1	447.1
Change in net foreign assets of commercial banks			170.6	-170.7
Change in domestic bank credit	207.7	-272.5	64.8	
Change in broad money	-244.1		244.1	
Other items, net/errors & omissions	79.5		-32.4	-47.1

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

2009-III	Domestic sectors Private	Government	Banking	External Sector
Nonfinancial transactions	-437.8	87.4		350.4
Government net lending	0.0	0.0		
Govt domestic nonbank financing	34.8	-34.8		
External financing of government		3.2		-3.2
External financing of private sector	327.5			-327.5
-Direct investment (equity)	44.9			-44.9
-Loans and credits	258.3			-258.3
-Portfolio, incl. debt	24.3			-24.3
Capital transfers	19.1			-19.1
Change in net foreign assets of the central bank			-9.8	9.8
Change in net foreign assets of commercial banks			-23.0	23.6
Change in domestic bank credit	67.8	-55.8	-12.0	
Change in broad money	-37.8		37.8	
Other items, net/errors & omissions	27.0		7.0	-34.0

Table 14 The monetary base and its sources (in millions NAf.)

			Change	
	2010-II	**2010-III**	**Amount**	**percentage**
Banknotes issued	367.5	361.6	-5.9	-1.6%
Banks' demand deposits (current account)	386.9	564.2	177.3	45.8%
Monetary base (M0)	754.4	925.8	171.4	22.7%
Central bank assets				
Foreign assets (including gold)	2,920.3	3,300.3	380.0	13.0%
Claims on the government	521.5	519.5	-2.0	-0.4%
Fixed and other assets	121.9	101.7	-20.2	-16.6%
less:				
Central bank remaining liabilities				
Private sector deposits	318.7	451.7	133.0	41.7%
Government deposits	313.8	487.7	173.9	55.4%
Foreign liabilities	781.4	714.7	-66.7	-8.5%
Other liabilities	731.7	666.1	-65.6	-9.0%
Capital and reserves	663.7	675.5	11.8	1.8%

Table 15 Monetary survey (in millions NAf.)

	2009-III	2009-IV	2010-I	2010-II	2010-III
Money supply (M2)	7,055.2	7,458.2	7,651.0	7,571.2	7,815.3
Money (M1)	2,916.7	3,266.9	3,386.8	3,307.7	3,548.6
Coins & notes with the public	297.4	334.1	319.7	313.8	303.9
Total demand deposits, of which :	2,619.3	2,932.8	3,067.1	2,993.9	3,244.7
- Netherlands Antillean guilders	1,993.3	2,265.0	2,380.2	2,345.2	2,630.9
- Foreign currency	626.0	667.8	686.9	648.7	613.8
Near money	4,138.5	4,191.3	4,264.2	4,263.5	4,266.7
Time deposits	2,212.6	2,175.3	2,200.1	2,187.0	2,231.3
Savings	1,925.9	2,016.0	2,064.1	2,076.5	2,035.4
Factors affecting the money supply	7,055.2	7,458.2	7,651.0	7,571.2	7,815.3
Net domestic assets	4,101.3	4,225.9	4,136.8	4,185.0	4,153.0
General government	308.0	222.1	209.8	138.1	-134.4
- Central government	359.4	238.2	303.9	287.9	5.8
- Island governments	-51.4	-16.1	-94.1	-149.8	-140.2
Private sector	5,305.2	5,634.0	5,638.1	5,716.0	5,923.7
Net foreign assets	2,953.9	3,232.3	3,514.2	3,386.2	3,662.3
Central bank	2,156.2	2,188.9	2,196.4	2,138.9	2,585.6
Commercial banks	797.7	1,043.4	1,317.8	1,247.3	1,076.7
Memorandum items	-1,511.9	-1,630.2	-1,711.1	-1,669.1	-1,636.3
Government loans by commercial banks	554.1	523.9	439.3	430.1	415.3
- Central government	345.8	322.5	244.5	240.2	247.6
- Island governments	208.3	201.4	194.8	189.9	167.7
Private sector loans Leeward Islands	3,606.2	3,649.4	3,647.3	3,701.2	3,887.2
- Mortgages	1,401.7	1,477.9	1,471.9	1,493.0	1,492.9
- Consumer loans	933.7	935.4	941.6	966.2	1,066.2
- Business loans	1,270.8	1,236.0	1,233.8	1,241.9	1,328.1
Private sector loans Windward Islands	1,538.0	1,567.1	1,576.5	1,592.9	1,614.5
- Mortgages	656.4	667.1	669.1	696.7	693.9
- Consumer loans	376.2	381.7	382.5	384.1	412.0
- Business loans	505.4	518.4	524.9	512.1	508.6

Table 16 Developments in domestic interest rates (in %)

	2009-III	2009-IV	2010-I	2010-II	2010-III
Central bank					
- Pledging rate	1.00	1.00	1.00	1.00	1.00
- Maximum CD rate (1 month)	0.20	0.16	0.13	0.22	0.20
Commercial banks borrowing rates					
- Passbook savings	2.2	2.0	1.8	1.5	1.3
- Time deposit (12 months)	2.9	2.3	2.0	1.9	1.8
Commercial banks lending rates					
- Mortgages	7.7	7.5	7.2	7.1	6.9
- Time loans	9.3	9.5	9.5	9.4	9.3
Government securities					
- Government bonds (5-year effective yield)	4.3	4.3	3.3	3.3	3.3
- Treasury bills (1 month)	0.6	0.6	0.6	0.6	0.6

Table 17 Aggregate balance sheet of domestic commercial banks (in millions NAf.)

	2009-III	2009-IV	2010-I	2010-II	2010-III
Assets					
Non-interest-bearing cash	1,320.2	1,568.1	1,404.5	1,285.0	1,420.0
Interest-bearing cash	2,991.4	3,257.5	3,621.8	3,402.1	3,325.7
Investments	1,210.9	1,357.4	1,220.9	1,218.7	1,156.2
Loans	7,444.0	7,617.7	7,683.0	7,810.5	8,074.5
Investments in unconsolidated subsidiaries and affiliates	43.5	58.5	97.1	106.8	111.7
Fixed assets	289.8	296.5	298.3	302.2	314.1
Other assets	212.7	235.1	251.6	265.5	284.0
Total assets	13,512.4	14,390.8	14,577.2	14,391.0	14,686.2
Liabilities					
Demand deposits	4,759.2	5,590.6	5,590.6	5,564.4	5,507.1
Savings deposits	4,089.4	4,131.5	4,148.6	4,090.0	4,040.8
Time deposits	2,804.1	2,763.0	2,897.7	2,823.0	3,126.6
Total deposits	11,652.7	12,485.1	12,636.9	12,477.5	12,674.5
Borrowings	38.9	49.4	43.2	36.2	68.8
Other liabilities	398.0	396.0	392.5	392.4	430.1
Total liabilities	12,089.6	12,930.4	13,072.6	12,906.0	13,173.4
Minority interest	9.1	8.6	9.0	9.2	9.6
Subordinated debentures	0.0	0.0	0.0	0.0	0.0
General provisions	224.1	223.5	235.6	234.6	241.4
Capital & reserves	1,189.6	1,228.3	1,260.1	1,241.2	1,261.8
Total capital	1,422.9	1,460.4	1,504.6	1,485.0	1,512.8
Total liabilities and capital	13,512.4	14,390.8	14,577.2	14,391.0	14,686.2

Table 18 Aggregate income statement of domestic commercial banks (cumulative quarterly figures, in millions NAf.)

	2009-III	2009-IV	2010-I	2010-II	2010-III
Interest income	592.7	738.9	192.7	379.3	570.9
Interest expenses	176.8	215.1	48.3	92.0	132.7
Net interest income	415.9	523.8	144.3	287.3	438.2
Other income	233.1	288.2	73.2	127.9	207.4
Total operational income	649.0	811.9	217.5	415.3	645.5
Salaries & other employee expenses	235.3	297.3	81.0	161.0	239.8
Occupancy expenses	75.7	100.1	24.1	48.5	73.1
Other operating expenses	101.4	126.4	34.4	67.5	103.0
Net addition to general provisions	43.5	52.6	13.6	22.8	32.7
Total operational expenses	455.9	576.4	153.1	299.8	448.6
Net operating income	193.1	235.5	64.4	115.5	196.9
Net extraordinary items	4.3	25.5	27.7	42.1	20.4
Applicable profit taxes	37.8	50.1	15.4	27.0	43.7
Net income after taxes	159.6	211.0	76.7	130.6	173.6