



QUARTERLY BULLETIN 2013-3

Centrale Bank van Curacao en Sint Maarten

REPORT OF THE PRESIDENT

World economic growth remained subdued during the third quarter of 2013. Developments in the advanced economies were marked by an economic slowdown in the United States and some signs of a fragile recovery in the euro zone. Meanwhile, the pace of growth dropped in the emerging economies reflecting, among other things, increased volatility in the financial markets.

Against this background, Curaçao registered an economic contraction of 0.4% in the third quarter of 2013, a turnaround from the expansion of 0.3% registered in the third quarter of 2012. The economic contraction was accompanied by reduced inflationary pressures reflecting mainly lower food and fuel prices. As a consequence, the inflation rate in Curaçao dropped to 0.5% in the September quarter of 2013, down from 2.4% a year earlier. Meanwhile, the annualized inflation rate declined to 1.9%.

Similar to the second quarter, real GDP growth could not be estimated for Sint Maarten in the third quarter of 2013 because of a lack of data. However, real sector indicators point to a growth in private sector activities during the September quarter of 2013, but the pace of growth was less pronounced than a year earlier. Consumer price inflation increased to 3.0% in the third quarter of 2013 from 2.8% in the third quarter of 2012, caused primarily by a surge in electricity prices. In addition, the annualized inflation rate rose to 2.8% at the end of September 2013 compared to 2.7% at the end of June 2013.

The economic contraction in Curaçao was ascribable entirely to lower domestic demand. The decreased demand stemmed from reduced private demand, mitigated by increased public demand. Private demand dropped as consumer spending shrank, while private investment growth slowed down. The gain in public demand was primarily the result of increased government investments in the road infrastructure of Curaçao. The decline in domestic demand was dampened by an increase in net foreign demand because imports dropped faster than exports in real terms.

Sectoral data reveal that the transport, storage & communication and wholesale & retail trade sectors were primarily accountable for the contraction in private sector activities in Curaçao. The deterioration in the transport, storage & communication sector was related to a decline in airport-related and air transportation activities as a result of the demise of the local carrier DAE. In addition, activities in the harbor were down as reflected by declines in oil storage activities, cargo movements, and the number of ships piloted into the port. The contraction in wholesale & retail trade stemmed from fewer activities in the free zone and the decline in private spending. The free-zone sector was particularly affected by the ongoing currency restrictions in Venezuela, one of the primary markets for the free zone in Curaçao.

By contrast, activities in the manufacturing, financial services, construction, and restaurants & hotels sectors developed positively in the third quarter of 2013. Although at a slower pace compared to 2012, real output expanded in the manufacturing sector driven by more refining and ship repair activities. The financial services sector performed well, reflected by an increase in net interest income of the local domestic banks and higher wages & salaries and other operational expenses recorded by the international financial services sector. Real value added rose in the construction sector, albeit less pronounced than in the third quarter of 2012, due to increased government investments

in the Curaçao road infrastructure combined with a slowdown in private investments. Growth weakened as well in the restaurants & hotels sector, reflecting a slowdown in stay-over tourism, combined with an increase in cruise tourism. The developments in stay-over tourism were marked by an increase in the number of visitors from North America, mitigated by a decline in the South American, European, and Caribbean markets.

In Sint Maarten, the utilities, manufacturing, and construction sectors were the main contributors to the growth in private sector activities during the third quarter of 2013. Real output growth in the utilities sector was driven by more water and electricity production. In the manufacturing sector, real value added growth picked up as a result of increased repair activities on yachts that visited the island. Following a contraction in the third quarter of 2012, real value added increased in the construction sector reflecting increased public and private investment activities.

Growth weakened in the restaurants & hotels sector as both stay-over and cruise tourism rose at a slower pace in the third quarter of 2013 compared to the third quarter of 2012. The expansion in stay-over tourism was the result of more marketing activities and charter flights to Sint Maarten. Meanwhile, the increase in cruise tourism was the result of more cruise vessels visiting the port of Philipsburg. Real value added growth also decelerated in the wholesale & retail trade sector due to the slowdown in tourism spending.

By contrast, the financial intermediation, and transport, storage & communication sectors dampened private sector activity growth in Sint Maarten during the third quarter of 2013. The contraction in the financial intermediation sector was the result of a decline in net interest income of the commercial banks in Sint Maarten. Meanwhile, the poor performance of the transport, storage & communication sector was the result of a decline in harbor activities mitigated by more airport-related activities. During the July–September period of 2013, the total number of ships that visited Sint Maarten dropped. Meanwhile, the activities at the airport increased as a result of a growth in passenger traffic, albeit less pronounced than a year earlier. By contrast, the number of commercial landings dropped.

As was the case during the previous quarters, the government of Curaçao continued implementation of austerity measures to structurally balance the current account of the budget and, hence, comply with the instruction given by the Kingdom Council of Ministers in 2012. As a result of these measures, the government recorded a budget surplus of NAf.20.6 million during the third quarter of 2013, a turnaround compared to the deficit of NAf.5.8 million registered in the third quarter of 2012. The improved fiscal situation was the result of a decline in government expenditures, mitigated by a drop in revenues. Government expenditures declined mainly as a result of reduced spending on transfers and subsidies, moderated by increased investment spending. The drop in government income was the result of lower income and profit tax proceeds and nontax revenues. However, the decline in government income was mitigated by an increase in gasoline excises and increased revenues from sales tax and property taxes. During the third quarter of 2013, the government of Curaçao issued bonds for the first time in three years, resulting in an increase of the debt-to-GDP ratio from 33.6% to 35.5%.

In the case of Sint Maarten, fiscal reporting is still a major challenge. As in the previous quarters, only government revenue data for the period July–September 2013 were

available. Consequently, the development in government expenditures could not be analyzed. According to the available data, government revenues increased by NAf.7.2 million during the third quarter of 2013 as a result of a rise in entrepreneurial and property income, proceeds from profit tax, turnover tax, and gasoline taxes. The increase in government revenues was mitigated by a decline in property tax and room tax. As indicated on numerous occasions, improvement of the fiscal reporting standards in Sint Maarten is urgently needed.

According to preliminary figures and estimates of the Bank, the current account deficit on the balance of payments narrowed during the third quarter of 2013 compared to the third quarter of 2012 as a result of improvements in net foreign demand and in the income and current transfers balances. The increase in net foreign demand was the result of a decline in imports, mitigated by a drop in exports. Imports declined largely because of lower merchandise imports by the free-zone companies in Curaçao. Meanwhile, exports shrank as a result of lower foreign exchange revenues from bunkering activities and transportation services. The latter decline was due largely to the demise of the local carrier DAE. However, the contraction in exports was mitigated by increased foreign exchange revenues from tourism, both in Curaçao and Sint Maarten. The income balance improved during the September quarter of 2013 due to increases in net labor income and net investment income, while the gain on the current transfers balance was the result of a decline in current transfers paid to abroad.

The current account deficit was financed largely by external financing of the private sector. The remainder of the deficit was covered by using official foreign exchange reserves. Consequently, gross official reserves contracted during the third quarter of 2013.

The monetary aggregates continued to contract in the third quarter of 2013, and the contraction was more pronounced than in the previous quarter. The decline in 2013's third quarter was attributable to a drop in net domestic assets. In contrast, net foreign assets increased, reflecting a rise in the net foreign holdings of the central bank, mitigated by a worsening of the commercial banks' net foreign position. The net domestic assets shrank as a result of declines in net claims on the government, the private sector, and in miscellaneous balance sheet items. The loan component of net credit extended to the private sector remained practically unchanged as a decline in total loans extended in Curaçao was counterbalanced by an increase in Sint Maarten.

During the September quarter of 2013, the Bank continued with its monetary policy aimed at tightening the liquidity surplus in the money market given the high deficit on the current account of the balance of payments and the declining trend in the international reserves. The percentage of the reserve requirement was increased by 0.50 percentage point reaching 16.50% in September 2013. In addition, the Bank auctioned more Certificates of Deposit (CDs) against various maturities to make these auctions more attractive. However, the subscriptions fell short, causing a drop in the outstanding amount of CDs. As during the previous quarters, the Bank complemented the monetary policy tools with a temporary credit measure. In September 2013, the measure was extended for another 6 months, allowing a maximum credit growth of 3% compared to August 2012.

Investment growth is considered the key driver of sustainable economic growth. During the third quarter of 2013, both Curaçao and Sint Maarten benefitted from investment

growth. However, private investment growth has remained subdued because of a lack of investor confidence and weaknesses in the investment climate. Another impediment for investment growth in Curaçao and Sint Maarten has been the absence of a well-developed corporate bond market. Along with equity financing and bank lending, corporate bonds are one of the ways companies can fund their investments, and they are considered a stable and reliable source of finance. A well-functioning corporate bond market enhances the efficiency of the financial system as companies compete with each other for finance, and it expands the financial sector and promotes the use of cost-effective financing instruments. For that reason, the development of a corporate bond market is high on the policy agenda of many emerging and developing economies.

Since the implementation of the debt relief program, the need to develop a corporate bond market in Curaçao and Sint Maarten has increased even more. Because of the conditions of the debt relief, i.e., the interest burden rule and the standing subscription, the government bond market has dried up. Consequently, institutional investors need alternative local investment instruments with attractive yields. A corporate bond market, on the one hand, can be a stable and reliable source of finance for businesses while, on the other hand, it can provide institutional investors with local investment opportunities with attractive returns. For that reason, the Bank embarked on the development of the corporate bond market by facilitating and participating in bond issues of public enterprises in both Curaçao and Sint Maarten.

Nevertheless, a well-developed corporate bond market is just one of the conditions to create a business climate conducive to investment and economic growth. Other important conditions are streamlining administrative procedures, reducing the mismatch between labor demand and supply, and controlling the relatively high labor costs. Addressing these issues warrants a prominent place on the policy agendas of the Curaçao and Sint Maarten governments to boost investments and, hence, bring the economies to a higher sustainable growth path.

E.D. Tromp
President

INTERNATIONAL ECONOMIC DEVELOPMENTS

Real GDP in the United States expanded by 2.0% in the third quarter of 2013, down from 3.1% in the third quarter of 2012 (see Table 1). The economic slowdown was attributable to a deceleration in private demand accompanied by a contraction in public demand. Private investments rose, driven primarily by an increase in home construction activities, despite higher mortgage rates. However, the increase in private investments was mitigated by a decline in business expenditures on equipment and software. In addition, private consumption grew as a result of, among other things, more spending on electronic device including smart phones. However, growth in private consumption was moderated by a slow wage growth, lower energy consumption due to an unseasonably cool period, and worsened consumer sentiment due to higher interest rates and housing prices. In contrast, public demand contributed negatively to economic growth in the third quarter of 2013, ascribable to a drop in federal government spending, moderated by an increase in local and state government spending. Net exports added to the U.S. economy in real terms as exports, notably manufactured goods, expanded faster than imports. The unemployment rate decreased to 7.3% in the July-September period of 2013, corresponding mainly to more jobs in the wholesale trade, construction, and transportation & warehousing sectors. Nevertheless, the number of long-term unemployed and the number of workers employed part-time for economic reasons did not show significant changes. The U.S. inflation rate diminished slightly from 1.7% in the third quarter of 2012 to 1.6% in the third quarter of 2013, driven largely by declining gasoline prices. With the inflation rate below the long-term objective of 2% and a relatively elevated unemployment rate, the Federal Reserve maintained the federal funds rate near zero.

Table 1 Selected indicators of various countries

	United States		Netherlands		Venezuela	
	2012-III	2013-III	2012-III	2013-III	2012-III	2013-III
Real GDP (% change)	3.1	2.0	-1.7	-0.4	5.5	1.1
Consumer prices (%)	1.7	1.6	2.3	2.8	18.5	45.8
Unemployment rate (%)	8.0	7.3	5.1*	6.8*	7.7	7.8

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

* International definition

Real GDP in the Netherlands shrank by 0.4% during the July-September period of 2013 compared to a decline of 1.7% in the third quarter of 2012. The economic contraction was driven by a decrease in public demand, mitigated by a growth in private demand. However, private demand rose at a slower pace than a year earlier. The expansion in consumer spending, primarily on durable goods, decelerated as income grew at a slower pace than the inflation rate. In addition, Dutch consumers' wealth and confidence deteriorated due to declining housing prices and government measures including reforms with respect to the tax deduction of mortgage interest. Gross fixed private investments decreased as a result of reduced investments in homes and commercial buildings, moderated by increased investments in machinery and installations. Additionally, businesses had limited financing options due to the overleveraged status of the Dutch banking sector. The disappointing performance of the private sector was reflected clearly in the construction, trade, transportation, and hotels & restaurants sectors. Also, public sector activity put a drag on the Dutch real economic growth in the third quarter of 2013. Public consumption fell, attributable to cuts in spending on public administration,

mitigated by more health care expenditures. In contrast, net exports made a positive contribution to the Dutch economy in real terms as exports increased, notably re-exports and exports of natural gas, rubber, and plastic products, and imports remained near the 2012 level. The Dutch unemployment rate rose from 5.1% in the third quarter of 2012 to 6.8% in the third quarter of 2013, notably in the construction and health care sector. Meanwhile, the inflation rate increased to 2.8% in the September quarter of 2013, resulting primarily from an increase in rent for the majority of residential properties caused by the July 2013 rent policy.

In the third quarter of 2013, the Venezuelan real GDP expanded by 1.1%, a slowdown compared to the growth of 5.5% in the third quarter of 2012. The deceleration in economic growth resulted from a slowdown in domestic demand. Gross fixed capital investments contracted, as a result of the country's weak business environment and state currency controls. Meanwhile, consumer spending rose, attributable mainly to the ongoing monetary stimulus and cheaper loans extended by domestic commercial banks. Public demand added to the real GDP growth of Venezuela as government spending increased on social programs, infrastructure, and home construction for the poor. In contrast, net foreign demand contributed negatively to the real GDP growth of Venezuela as exports declined at a faster pace than imports. Exports dropped mainly because of a decline in oil exports, while imports decreased as a result of foreign currency restrictions. Despite the government's policy to stimulate imports to ease shortages, Venezuela has been struggling with import bottlenecks and shortages of goods, notably consumer goods, primarily as a result of state capital controls. Moody's recently downgraded Venezuela because of the increasing risk for economic and financial collapse. Increased activities in the financial and communications sectors made a positive contribution to Venezuela's GDP growth, moderated by a contraction in the construction, transportation, and manufacturing sectors. The inflation rate in Venezuela soared to 45.8% in the September quarter of 2013, fueled by domestic goods shortages despite the government's auction system to provide more foreign currency to domestic businesses. The Venezuelan unemployment rate rose slightly to 7.8%, attributable primarily to job losses in the manufacturing and construction sectors.

GENERAL ECONOMIC DEVELOPMENTS IN CURAÇAO

Real GDP in Curaçao contracted by 0.4% in the third quarter of 2013 compared to an expansion of 0.3% in the third quarter of 2012. The poor economic performance in the third quarter of 2013 was ascribable to a decline in domestic demand, mitigated by an increase in net foreign demand (see Table 2). Inflationary pressures in Curaçao eased to 0.5% during the quarter under review, caused by a decline in food and fuel prices.

An analysis of GDP by expenditure indicates that the poor economic performance in Curaçao was attributable to a reduction in private demand. Private demand declined because of a decrease in private consumption, moderated by a growth in private investments. However, the growth in private investments was less pronounced than in 2012. Private consumption dropped for a number of reasons including measures taken by the government, including the increase in social premiums that negatively affected household disposable income. The worsening of labor market conditions also contributed to the decline in private consumption. Public demand increased due primarily to more investments in the maintenance of Curaçao's road infrastructure. Net exports added to the real GDP of Curaçao in the July-September period of 2013 because,

in real terms, imports declined faster than exports. The decrease in exports was caused primarily by fewer re-exports mainly to Venezuela by the free-zone companies in Curaçao. This drop in re-exports also explains a major part of the decline in imports as the free-zone companies imported less merchandise.

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

	2012-III	2013-III
Domestic expenditure, of which:	-1.0	-0.5
Private sector	0.7	-0.8
- Investment	0.9	0.2
- Consumption	-0.2	-1.0
Government sector	-1.7	0.3
- Investment	0.0	0.2
- Consumption	-1.7	0.1
Changes in inventory	0.0	-0.5
Foreign net expenditure	1.3	0.6
- Export of goods and services	2.1	-0.2
- Import of goods and services	0.8	-0.8
GDP	0.3	-0.4

Source: Estimates by the Centrale Bank van Curaçao en Sint Maarten.

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

Domestic production

From a sectoral perspective, the contraction in private sector activities in the third quarter of 2013 was ascribable to the transport, storage & communication sector, and the wholesale & retail trade sector (see Table 3).

Real value added in the transport, storage & communication sector shrank in the third quarter of 2013, associated with a contraction in both airport and harbor activities. Airport-related activities fell due to a decline in total passenger traffic, particularly transit passengers, and the number of commercial landings. This deterioration was largely a result of the bankruptcy of the domestic airline DAE. The decline in harbor activities was caused by a drop in oil storage activities, a decline in container movements, and fewer ships piloted into the port of Curaçao. The number of ships dropped because the decline in the number of tankers and freighters piloted into the port outweighed the increase in cruise ships.

Real output in the wholesale & retail trade sector contracted in the September quarter of 2013 compared to 2012, as a result of fewer activities in the free-zone sector and, to a lesser extent, lower domestic demand. The decline in free-zone sector activities was accompanied by a decrease in free-zone visitors, primarily from Haiti, Santo Domingo, Jamaica, and Venezuela. The number of Venezuelan free-zone visitors, the largest free-zone market of Curaçao, diminished because of, among other things, the ongoing foreign

currency restrictions in the country. Re-exports to Venezuela also contracted due to numerous payment delays.

Table 3 GDP by sector in Curaçao (real percentage changes)

Sector	2012-III	2013-III
Agriculture, fishery & mining	-5.6	-0.2
Manufacturing	3.0	1.9
Electricity, gas & water	0.1	0.0
Construction	1.6	0.9
Wholesale & retail trade	1.6	-3.5
Restaurants & hotels	4.0	0.2
Transport, storage & communication	2.4	-4.8
Financial intermediation	0.3	0.8
Real estate, renting & business activity	-0.4	-0.5
Other community, social & personal services	-1.0	0.6
Private households	0.1	-2.4
Total private sector	0.8	-0.6
Public sector	-0.3	0.1
Taxes minus subsidies	-0.1	0.0
GDP	0.3	-0.4

Source: Estimates by the Centrale Bank van Curaçao en Sint Maarten.

Activities in the manufacturing sector expanded in the third quarter of 2013, though at a slower pace than a year earlier, attributable mainly to a slowdown in the refining activities in Curaçao. Meanwhile, despite a decrease in the number of ships repaired, ship repair activities increased, reflected by a rise in the number of man-hours sold, indicating that larger ships were repaired during the September quarter of 2013.

The activities in the financial intermediation sector grew at a faster pace during the September quarter of 2013, related to an increase in both domestic and international financial services. The rise in domestic financial services resulted from higher net interest income by the commercial banks, while the increase in international financial services was driven by higher wages & salaries as well as other operational expenses.

Real value added in the construction sector increased in the third quarter of 2013 because of more public investments in Curaçao's road infrastructure and a deceleration in private investments. However, the increase in real value was slower than in the third quarter of 2012.

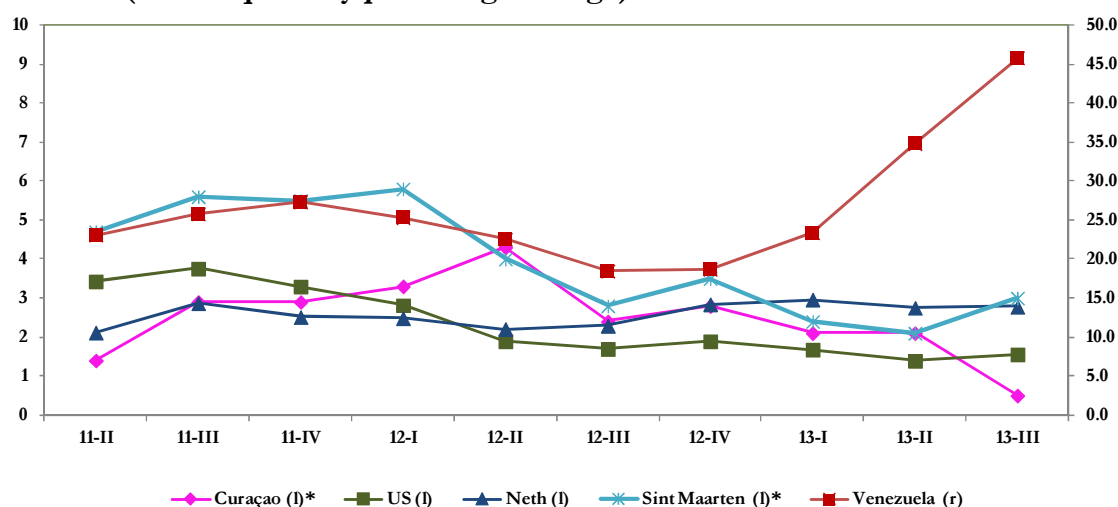
Real output growth in the restaurants & hotels sector (0.2%) decelerated in the July-September period of 2013 due to a slowdown in stay-over tourism along with an expansion in cruise tourism. Both the number of cruise tourists (197.2%) and cruise calls (166.7%) rose significantly during the third quarter of 2013 as a result of, among other things, Pullmantur Cruises, which has been using Curaçao as an embarkation port since May 2013. The growth in stay-over tourism decelerated to 0.4% compared to 7.1% in the third quarter of 2012. The North American market expanded because of more visitors

from the United States, mitigated by fewer visitors from Canada. In contrast, the European, South American, and Caribbean markets provided fewer visitors. The South American market recorded fewer visitors from Venezuela and Surinam. The number of Venezuelan tourists dropped because many were unable to pay for tickets due to the currency restrictions in their country. Furthermore, the number of tourists from Surinam decreased due to a decline in airlift. The decline in the European market was caused primarily by a reduction in the number of Dutch tourists, a result of the recession. The Caribbean market also diminished, ascribable to a reduction in the number of visitors from Trinidad & Tobago and Aruba. Due to the decrease in the number of tourists in most markets, the number of visitor nights shrank substantially (-33.6%). As a result, the hotel occupancy rate in Curaçao declined from 70.3% in the third quarter of 2012 to 65.0% in the third quarter of 2013. The development in the hotel occupancy rate also indicates an increase in the number of visitors who prefer to stay in alternative accommodations, such as apartments and bungalows. (See Table 8 in the appendix for more details.)

Inflation

The inflation rate in Curaçao eased from 2.4% in the third quarter of 2012 to 0.5% in the third quarter of 2013, attributable primarily to lower food and fuel prices (See Graph 1).

**Graph 1 Developments in consumer prices
(annual quarterly percentage change)**



An analysis of the developments in the CPI components reveals that in the September quarter of 2013, the average prices dropped in the categories “Food” (0.3%), “Health” (2.6%), and “Transport & communication” (1.0%). The reduction in consumer prices in the latter category resulted mainly from declining fuel prices. The deflation in the category “Food” was ascribable predominantly to a decrease in prices of grain products, dairy products, potatoes, vegetables, and fruit. Meanwhile, consumer prices decelerated in the categories “Housing” (0.8%) and “Housekeeping & furnishings” (2.2%). The lower inflationary pressures in the “Housing” category were due mainly to a decrease in electricity prices, mitigated by an increase in water tariffs. In contrast, prices in the categories “Clothing & footwear” (1.8%) and “Beverages & tobacco” (8.1%) rose at a faster pace in the third quarter of 2013. (See Table 9A in the appendix.)

GENERAL ECONOMIC DEVELOPMENTS IN SINT MAARTEN

Due to lack of government data, it was not possible to calculate the value added of the public sector of Sint Maarten during the third quarter of 2013. Hence, the real GDP growth could not be estimated.

However, it was possible to estimate the growth in the real value added of the private sector of Sint Maarten in the September quarter of 2013, based mainly on real sector data. Private sector activities rose at a slower pace during the third quarter of 2013 (0.5%) compared to the third quarter of 2012 (1.1%). Inflationary pressures in Sint Maarten increased to 3.0%, attributable primarily to higher electricity prices (see Table 4).

The expansion in private sector activity during the third quarter of 2013 was ascribable mainly to the utilities, construction, and manufacturing sectors. Activities in the construction sector rose by 2.9%, as a result of an increase in both public and private investments. The increase in public investments was caused by infrastructure projects, including the construction of the Simpson Bay Lagoon Causeway. In addition, the growth in private investments was consistent with a higher number of (commercial) building permits issued.

During the third quarter of 2013, real value added in the utilities sector rose at a faster pace (5.6%) due to an increase in both electricity and water production, although to a large extent, the water was not consumed. Furthermore, growth in real output in the manufacturing sector (5.0%) was associated with more repair activities on yachts that visited Sint Maarten in the July-September period of 2013.

Table 4 GDP by sector in Sint Maarten (real percentage changes)

Sector	2012-III	2013-III
Agriculture, fishery & mining	0.0	0.0
Manufacturing	3.3	5.0
Electricity, gas & water	2.7	5.6
Construction	-1.1	2.9
Wholesale & retail trade	1.2	0.6
Restaurants & hotels	3.8	0.7
Transport, storage & communication	2.8	-0.1
Financial intermediation	0.9	-1.4
Real estate, renting & business activity	-1.5	0.0
Other community, social & personal services	4.6	2.0
Private households	11.2	0.0
Total private sector	1.1	0.5
Public sector	n.a.	n.a.
Taxes minus subsidies	n.a.	n.a.
GDP	n.a.	n.a.

Source: Estimates by the Centrale Bank van Curaçao en Sint Maarten.

Real value added in the wholesale & retail trade sector rose by 0.6% in the third quarter of 2013, a slowdown compared to the third quarter of 2012. The expansion in the wholesale & retail trade sector activities stemmed from an increase in domestic spending along with a deceleration in tourist spending.

Output growth in the restaurants & hotels sector decelerated in real terms during the July-September period of 2013 (0.7%), resulting from a slowdown in both stay-over tourism (0.9%) and cruise tourism (8.6%). The increase in the number of cruise tourists was in line with more cruise calls (13.7%). Growth in stay-over tourism was driven mainly by marketing activities and more charter flights. The North American, South American, and Caribbean markets expanded, while the European market contracted (See Table 8 in the appendix.) The increase in the North American market (5.7%) was ascribable to more visitors from the United States and Canada. The increase from Canada resulted predominantly from an increase in the number of flights by Sunwing. In addition, the number of Caribbean visitors (4.6%) rose at a faster pace, primarily as a result of more visitors from Trinidad & Tobago. The South American market (3.7%) also expanded with more visitors from Panama and Colombia. In contrast, the European market performed poorly, due mainly to fewer visitors from France, reflecting the ongoing recession in Europe. (See Table 8 in the appendix for more details.) The hotel occupancy rate in Sint Maarten increased to 49.6% in the third quarter of 2013 as a result of lower hotel rates and more promotional activities.

In contrast, activities in the transport, storage & communication sector put a drag on the real GDP growth of Sint Maarten in the September quarter of 2013, attributable to a decline in the harbor activities along with a slowdown in air transportation and airport-related activities. Growth in air transportation and airport-related activities decelerated because of a slowdown in passenger traffic and a decrease in the number of commercial landings. Meanwhile, harbor activities diminished because fewer ships, particularly freighters, were piloted into the port of Sint Maarten.

Last, the financial intermediation sector contributed negatively to the real economic growth of Sint Maarten (-1.4%) as the interest income of the domestic commercial banks declined at a faster pace than the interest expenses.

Inflation

Inflationary pressures in Sint Maarten rose from 2.8% in the September quarter of 2012 to 3.0% in the third quarter of 2013, mainly as a result of higher electricity prices, mitigated by lower food prices.

An analysis of the CPI components indicates that the inflation rate in the third quarter of 2013 accelerated in the categories “Housing” (1.6%), “Housekeeping & furnishings” (13.5%), and “Transport & communication” (1.4%). The price gain in the category “Transport & communication” was the result of an increase in fuel prices and higher telecommunication costs. In addition, consumer prices in the category “Housing” increased at a faster pace due to higher electricity prices. In contrast, prices decelerated in the categories “Food” (6.5%), “Beverages & tobacco” (2.0%), “Clothing & footwear” (0.1%), and “Health” (0.5%). Prices in the category “Food” increased at a slower pace, reflecting mainly a decline in prices of meat, fish, and dairy products (See Table 9B in the appendix.)

DEVELOPMENTS IN PUBLIC FINANCE

Public finances Curaçao

During the third quarter of 2013, the focus of Curaçao's government sector remained on achieving a structurally balanced current account of the public budget. Total government expenditures declined by 9.8% compared to the third quarter of 2012, reflecting the ongoing implementation of austerity measures. The fall in government expenditure was driven primarily by cutbacks in outlays on transfers and subsidies, complemented by a decline in other expenditures. Still, the government funneled more investment funds towards road improvement projects in 2013's third quarter, to help curb the contraction anticipated in private sector activities. Total government income recorded a downturn of 3.0%, led by lower proceeds from taxes on income and profits, as well as decreased nontax revenues. However, the decline in these categories was mitigated by a surge in gasoline excises, the result of back payments made to the government by the public enterprise that collects these excises. Revenues from sales tax and property taxes also increased compared to 2012's third quarter, but import duties fell during the third quarter of 2013, in line with the recorded decline in imports on goods and services. (See Tables 10A and 10B in the appendix for an overview.)

In September 2013, the government of Curaçao emitted bonds again for the first time in almost three years. This loan issue is reflected in the noted increase in outstanding government securities by the end of 2013's third quarter. The deposit of the proceeds of the government bond emission with the central bank contributed largely to the noted decline in monetary financing (see Table 5).

Table 5 Financing of the budget balance of Curaçao (in millions NAf.)

	2012-III	2013-III
Monetary financing	-6.0	-118.5
Central bank	8.7	-157.5
Commercial banks	-14.7	39.0
Nonmonetary financing	11.8	97.9
Government securities with the public	0.0	62.6
Other	11.8	35.3
Cash balance	-5.8	20.6

Public sector debt Curaçao

Over the course of the third quarter of 2013, Curaçao's public debt-to-GDP ratio climbed from 33.6% to 35.5%, owing to increases in both the foreign and domestic public debt components. Curaçao's foreign public debt grew by NAf.62.6 million as a result of the issuance of a bond loan in September 2013. During the public tender held, the Dutch State Treasury Agency (DSTA) was allocated 100% of the loan, triggering the noted increment in the government's foreign debt. The growth in the domestic public debt component can be attributed primarily to the incurrence of further liabilities with the public pension fund, APC, and the social security bank, SVB.

Public finances Sint Maarten

The public sector's contribution to the GDP growth estimated for Sint Maarten in the September quarter of 2013 could not be determined due to a lack of government expenditure data. Therefore, the analysis presented below focuses on the revenue figures published by Sint Maarten's public administration.

In the July-September period of 2013, the government of Sint Maarten recorded a growth of NAf.7.2 million in revenues compared to the same period of 2012, reaching NAf.106.8 million. This improvement was due mainly to an upturn in entrepreneurial & property income, complemented by higher proceeds from profit tax, turnover tax, and gasoline excises. However, the growth in these categories was offset somewhat by moderate declines in revenues from, among other things, property transfer tax and room tax. (See Tables 11A and 11B in the appendix for an overview.)

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

According to preliminary figures and estimates of the CBCS, the current account of the balance of payments of the monetary union improved by NAf.86.0 million during the third quarter of 2013 compared to the third quarter of 2012. Meanwhile, the gross official reserves of the monetary union dropped by NAf.46.7 million. Hence, external financing was not sufficient to cover the deficit on the current account¹ (see Table 6).

Table 6 Balance of payments summary (in millions NAf.)

	2011-III	2012-III	2013-III
Current account	-502.0	-477.8	-391.8*
Change in gross reserves of the central bank**	-31.4	128.8	46.7
- Foreign exchange	-80.1	119.2	55.9
- held at foreign central banks	-124.9	375.0	45.5
- held at foreign commercial banks	44.8	-255.8	10.5
- Other claims	48.7	9.6	-9.2

* Estimate of CBCS.

** A minus sign implies an increase.

Developments in the net exports of goods and services in Curaçao

In Curaçao, net exports of goods and services is estimated to have improved during the third quarter of 2013 compared to the third quarter of 2012 as imports dropped, mitigated by a decline in exports. The drop in imports was related mostly to a sharp decline in free-zone imports, reflecting a significant fall in foreign demand from Venezuelan merchants. The drop in foreign demand was a result of a decline in purchasing power in Venezuela due to the devaluation of the Bolivar in the first half of 2013 and the currency restrictions imposed by the Venezuelan government.

¹ When all data of the balance of payments are available, a full analysis of the current, capital, and financial accounts will be made and added as an appendix to this Quarterly Bulletin on the website of the CBCS.

As a consequence of the lower demand from Venezuelan merchants, re-exports by the free-zone companies also dropped significantly leading to the overall decline in exports during the third quarter of 2013. Furthermore, foreign exchange revenues from bunkering activities declined despite a small increase in the price of oil. In addition, foreign exchange revenues from transportation services dropped, mainly as a result of the bankruptcy of DAE, one of the two domestic airlines.

In contrast, foreign exchange revenues from the tourism industry grew, reflecting, among other things, an increase in cruise tourism receipts related to more cruise passengers and cruise calls in Curaçao during the July-September period of 2013.

Developments in the net exports of goods and services in Sint Maarten

In Sint Maarten, foreign exchange revenues from the tourism sector improved in the third quarter of 2013, although at a slower pace than in the third quarter of 2012. Foreign exchange revenues from stay-over tourism dropped slightly. However, this decline was outbalanced by an increase in revenues from cruise tourism.

Developments in the income balance and current transfers balance

The income balance of the monetary union improved by NAf.10.6 million during the third quarter of 2013 compared to the third quarter of 2012 as a result of increases in both the labor income and the investment income balances. The labor income balance improved due to more labor income received from abroad, whereas the investment income balance rose as a result of, among other things, a decline in investment income paid to abroad. The latter decline was mainly the result of less interest and dividend paid on portfolio investments and other investments purchased by foreign investors in previous years, mitigated by a decline in investment income received from abroad.

In addition, the current transfers balance improved by NAf.16.9 million, reflecting mainly a decline in current transfers paid to abroad.

MONETARY DEVELOPMENTS

Monetary policy

The Bank's monetary policy is directed at maintaining the peg of the NAf to the U.S. dollar. This objective is pursued through meeting an official reserves target of three months of projected imports of goods and services. Therefore, the Bank's monetary policy instruments are geared towards influencing the liquidity in the domestic money market and, hence, domestic credit expansion, domestic spending, imports, and the use of foreign exchange reserves. During the September quarter of 2013, the Bank continued to direct its core instruments of monetary policy--the reserve requirement and the auctioning of Certificates of Deposit² (CDs)--toward tightening the surplus in the domestic money market. The percentage of the reserve requirement, which is fixed for a period of four weeks, was increased by 50 basis points to reach 16.50% at the end of the third quarter of 2013. At the auctions, the Bank offered more CDs with various

² These are negotiable securities issued by the Bank.

maturities (i.e., 1, 3, 6, and 12 months). However, the outstanding amount of CDs dropped due to shortfalls in subscriptions.

These tools were complemented by measures to contain the growth in private credit extension. In February 2012, a temporary freeze on private credit extension was introduced for a period of six months. This credit measure was continued during the period September 2012 to February 2013, and a 1% growth in credit was allowed. During the period March to August 2013, a maximum credit growth of 2% compared to the end of August 2012 was allowed, and a penalty for exceeding the target was introduced. Subsequently, for the September 2013 to February 2014 period, private credit extension is allowed to grow by 3% compared to the outstanding amount at end of August 2012.

The Bank's official interest rate, the pledging rate, was left unchanged at 1.00% throughout the September quarter of 2013.

Monetary base

The monetary base, M0, includes currency in circulation and the commercial banks' current account balances with the Bank. Following a NAf.88.2 million (12.6%) drop during 2013's second quarter, M0 contracted by NAf.72.7 million (11.9%) during the third quarter of 2013 because of a reduction in the demand deposits of the commercial banks at the Bank. The other component, the amount of currency in circulation, remained at almost the same level as in the second quarter of 2013. On an annual basis, however, M0 contracted less in 2013's September quarter (26.4%) than in 2013's June quarter (32.1%). (See Table 12 in the appendix.)

The contraction in the monetary base was caused by a growth of 4.2% in the Bank's remaining liabilities mitigated by a 1.4% expansion in the Bank's assets. The Bank's assets expanded due mainly to an increase in the average gold price during the third quarter of 2013, reflected by a rise in foreign assets. The remaining liabilities grew primarily because of an increase of government deposits with the Bank related to the proceeds of a bond issue by the Curaçao government. In contrast, foreign liabilities dropped as a consequence of a settlement with the Netherlands regarding the shares of the BES islands³ in the capital of the former Bank van de Nederlandse Antillen, the predecessor of the current Centrale Bank van Curaçao en Sint Maarten. Meanwhile, capital and reserves increased as a result of the aforementioned increase in the average gold price.

Monetary aggregates

Broad money (M2) contracted by NAf.124.8 million (1.7%) during 2013's third quarter, after dropping by NAf.47.5 million (0.6%) in the second quarter of 2013. The decline in the September quarter of 2013 was caused by a drop in net domestic credit mitigated by a growth in the net foreign assets of the banking system. The annual M2 growth was, however, less negative in September (-3.9%) than in June 2013 (-4.1%).

Narrow money (M1) declined by 3.1% during 2013's September quarter, caused primarily by a decline in demand deposits. Deposits in both Netherlands Antillean guilders and in foreign currency fell during the quarter. The other component of M1, coins and notes with the public, dropped slightly during the third quarter. As a result, the annual growth

³ Bonaire, St. Eustatius, and Saba.

rate of M1 dropped by 8.4% in September 2013 compared to a decline by 5.6% in June 2013 (See Table 13 in the appendix.)

Factors affecting the money supply

Money holdings of the private sector contracted by NAf.124.8 million to reach NAf.7,329.6 million at the end of the third quarter of 2013. The monetary contraction was caused by a drop in net domestic assets of NAf.255.6 million (6.6%) mitigated by an increase of NAf.130.8 million in net foreign assets. Declines in net claims on the government (NAf.111.5 million), private sector (NAf.82.1 million), and in memorandum balance sheet items (NAf.62.0 million) resulted in the contraction in domestic credit during the third quarter of 2013. The contractionary impact of the public sector stemmed from increased deposits of the government of Curacao (NAf.118.5 million) with the Bank, due partially to the proceeds of a bond issue.

The increase in net foreign assets was due to an increase of NAf.184.6 million in the net foreign assets of the central bank. In contrast, the commercial banks' net foreign position dropped by NAf.53.9 million during 2013's third quarter. (See Table 14 in the appendix for more details.)

The loan component of net credit extended to the private sector remained unchanged in the September 2013 quarter as increases in consumer loans (0.8%) and mortgages (0.6%) were offset by a drop in business loans (1.2%). In Curaçao, total loans contracted by 0.1% due to a drop of 1.4% in business loans. By contrast, mortgages (0.8%) and consumer loans (0.5%) increased. Meanwhile in Sint Maarten, private sector loans expanded by 0.2% in the third quarter of 2013 driven by an increase in consumer loans (1.4%). Mortgages remained flat, while business loans contracted by 0.5%. On an annual basis, total loans expanded by 0.7%, due entirely to the 2.3% growth in Curaçao because Sint Maarten registered a decline of 3.5%.

Developments in domestic interest rates

Developments in the international financial markets did not affect interest rates in the domestic money market during the September quarter of 2013. The benchmark one-month US dollar *libor* rate⁴ declined only marginally, which did not have any effect on the rates at which CDs were auctioned. Subsequently, the 1-month CD rate remained unchanged at 0.10%.

The interest rates charged by the commercial banks remained stable in the September quarter of 2013 compared to the June quarter of 2013. The average mortgage rate and time loan rate remained unchanged at 6.6% and 7.7%, respectively.

Meanwhile, with respect to the commercial banks' borrowing rates, the average interest rate on passbook savings remained stable at 1.2%. However, the average rate offered on a 12-month time deposit increased slightly from 1.6% in the June quarter to 1.7% in the September quarter of 2013.

Changes in the yields on government paper are virtually determined by developments in the Dutch capital market due to the standing subscription by the Dutch State Treasury

⁴ The London interbank offered rate, the main gauge of interbank lending.

Agency (DSTA).⁵ The average effective yield on 5-year government bonds remained unchanged at 1.1% during 2013's September quarter. Finally, the yield on 12-month treasury bills increased from nearly zero (0.01%) at the end of the second quarter to 0.09% at the end of the third quarter of 2013. (See Table 15 in the appendix for a detailed overview.)

DEVELOPMENTS IN THE COMMERCIAL BANKING SECTOR

The balance sheet value of the domestic commercial banking sector declined by 2.4% during the September quarter of 2013, following a 1.4% growth during the June quarter of 2013. The decline in total assets was largely the result of a decrease in interest-bearing cash (8.1%). Also, declines in investments (7.1%) and other assets (16.6%) contributed to the decline in total assets. However, increases in fixed assets (6.2%), non-interest-bearing cash (1.1%), and loans (0.1%) mitigated the decline in aggregate assets. (See Table 16 in the appendix for more details.)

Correspondingly, the fall in total liabilities in 2013's September quarter was attributed to declines in all categories, although the decrease in deposits was the most pronounced. The share of interest-bearing deposits (i.e., time and savings deposits) to total deposits declined to 51.9% in the September quarter of 2013, down from 52.5% in the June quarter.

The domestic commercial banks' capitalization declined by 0.8% in 2013's third quarter compared to the June quarter. This decline in total capital combined with the larger contraction in total assets (2.4%) caused the share of total capital to total assets of the commercial banking sector to increase from 11.6% at the end of June to 11.8% at the end of September 2013.

The commercial banks reported a combined operating income of NAf.237.6 million in the third quarter of 2013, a 3.5% increase compared to the third quarter of 2012. The increase in income was mainly the result of a 16.7% surge in the "other income" category. Net interest income, on the other hand, declined due to more interest expenses (3.2%) and lower interest income (1.4%).

On the expenses side, total operating expenses surged by 32.5%, caused to a large extent by a considerable increase in the net addition to general provisions. Additionally, increases in other operating expenses (2.3%) and in salaries and other employee expenses (1.4%) contributed to the rise in total operating expenses.

The developments in income and expenses resulted in a 76.2% decline in net operating income in 2013's September quarter compared to the third quarter of 2012. In addition, net income after taxes fell by 62.7% as an increase in extraordinary items could not compensate for the loss in net operating income. (See Table 17 in the appendix for more details.)

⁵ As part of the debt relief program, the Dutch government agreed to subscribe on all new loan issues by Curaçao and Sint Maarten at rates prevailing in the Dutch capital market during the period that financial supervision by the Kingdom is in effect.

Financial soundness indicators

Financial soundness indicators (FSIs) are used to support macroprudential analysis. The Bank uses these FSIs, which are aggregates of microprudential indicators, as statistical measures to monitor the health and soundness of the financial sector. Because the microeconomic variables take only the performance of individual banking institutions into account, this microprudential approach is complemented by a more comprehensive analysis that considers macroeconomic factors through stress tests. These stress tests together with the FSIs constitute a macroprudential approach aimed at better assessing the vulnerability of the banking system to shocks and the extent of systemic risk.

The robustness of financial institutions to shocks to their balance sheets is determined by their capital adequacy. Capital provides not only a cushion for losses, but also provides protection for depositors, while controlling excessive risk taking by banks. The resilience of the banking system remained satisfactory during the third quarter of 2013 as reflected by an increase in the capital-to-assets ratio to 11.8% at the end of the third quarter of 2013, up from 11.6% at the end of the second quarter. The upward trend in this ratio is an indication that the capital stock of the domestic commercial banks remained relatively strong, well above the benchmark of 4.0% for Tier 1 capital under the Basel I and Basel II agreements.

The quality of the commercial banks' assets portfolio showed mixed developments during the third quarter of 2013 compared to the second quarter of 2013. The ratio of nonperforming loans-to-total loans remained almost unchanged in the third quarter of 2013 (8.8%) compared to 2013's second quarter (8.9%) as outstanding nonperforming loans declined (1.5%) while total loans remained the same. The drop in nonperforming loans combined with a 2.1% drop in provisioning caused the ratio of provisions for loan losses-to-nonperforming loans to drop to 34.9% at the end of September 2013 from 35.1% at the end of the second quarter.

Table 7 Financial stability indicators (in %; end of period)

	2012-III	2012-IV	2013-I	2013-II	2013-III
Capital adequacy					
Total capital/ total assets	11.3	11.5	11.5	11.6	11.8
Asset quality					
Nonperforming loans/total loans	7.5	8.2	7.4	8.9	8.8
Provisions for loan losses/non-performing loans	42.9	38.4	42.2	35.1	34.9
Earnings					
Gross earning assets yield	5.6	5.5	5.4	5.4	5.4
Net interest margin	4.6	4.6	4.6	4.6	4.5
Return on assets	2.1	1.7	1.8	1.9	1.7
Liquidity					
Total loans/ total deposits	68.0	68.7	68.0	67.9	69.7

The profitability of the domestic banking sector was affected by the deterioration noticed in asset quality in the third quarter of 2013 compared to 2012's third quarter. An increase in net interest income generated by the commercial banks (1.1%) combined with a 2.5% increase in average earning assets caused only a small change in the net interest margin in the September quarter of 2013 (4.5%) compared to the September quarter of 2012 (4.6%). The gross earning assets yield dropped from 5.6% in 2012's third quarter to 5.4% in the third quarter of 2013 as the increase in average earning assets outweighed the increase in interest income. The return on assets ratio fell from 2.1% in 2012's third quarter to 1.7% in 2013's third quarter as a result of the decline in net operating income.

Finally, the ratio of total loans-to-total deposits, which provides an indication of the liquidity in the domestic banking sector, increased from the June quarter to the September quarter of 2013. The upturn in this ratio from 67.9% to 69.7% reveals a drop in liquidity because the deposit base declined.

APPENDIX

Table 8 Developments in stay-over tourism (% change)¹⁾

	Curaçao				Sint Maarten			
	2012-III		2013-III		2012-III		2013-III	
North America, of which:	-1.9	(-0.3)	2.8	(0.4)	7.2	(3.8)	5.7	(3.1)
-U.S.A.	-2.4	(-0.3)	3.5	(0.5)	5.6	(2.6)	3.9	(1.9)
Europe, of which:	-0.6	(-0.3)	-0.4	(-0.1)	6.0	(1.6)	-4.4	(-1.1)
-The Netherlands	-6.1	(-1.9)	-5.3	(-1.6)	10.6	(0.4)	3.3	(0.1)
South & Central America, of which:	32.4	(10.7)	-3.5	(-1.1)	13.7	(0.5)	3.7	(0.1)
-Venezuela	45.8	(9.8)	-5.0	(-1.0)	23.3	(0.2)	-9.8	(-0.1)
-Surinam	-6.4	(-0.2)	-0.7	(0.0)				
-Colombia	37.1	(0.9)	-9.6	(-0.2)				
Caribbean, of which:	-8.7	(-0.9)	-3.5	(-0.3)	3.7	(0.2)	4.6	(0.3)
-Dominican Republic	-16.8	(-0.2)	6.6	(0.1)	18.8	(0.2)	0.5	(0.0)
Total	7.1	--	0.4	--	7.5	--	0.9	--

Source: Curacao Tourist Board (CTB) and St. Maarten Tourist Bureau

1) Weighted growth rates between brackets.

Table 9A Curaçao consumer prices (annual quarterly percentage change)

	2012-III	2012-IV	2013-I	2013-II	2013-III
Food	5.1	4.4	4.0	3.4	-0.3
Beverages & tobacco	4.4	3.5	2.1	3.0	8.1
Clothing & footwear	0.7	1.4	1.5	1.6	1.8
Housing	2.2	3.9	3.9	3.5	0.8
Housekeeping & furnishings	2.6	2.6	2.5	2.7	2.2
Health	1.4	0.3	-0.6	-1.1	-2.6
Transport & communication	1.4	1.7	-0.9	-0.3	-1.0
Recreation & education	1.4	1.1	0.5	0.6	0.6
Other	1.8	1.9	1.7	1.7	1.4
General inflation rate	2.4	2.8	2.1	2.1	0.5

Source: Central Bureau of Statistics of Curaçao

Table 9B Sint Maarten consumer prices (annual quarterly percentage change)

	2012-III	2012-IV	2013-I	2013-II	2013-III
Food	10.7	6.8	6.0	6.1	6.5
Beverages & tobacco	6.8	4.2	4.8	3.1	2.0
Clothing & footwear	6.0	4.0	2.6	0.8	0.1
Housing	0.4	3.1	-0.1	0.0	1.6
Housekeeping & furnishings	4.9	4.7	13.3	14.7	13.5
Health	0.8	-0.2	-0.4	-0.8	0.5
Transport & communication	0.8	2.9	2.2	0.4	1.4
Recreation & education	3.5	3.0	1.3	1.6	1.4
Other	2.0	2.0	2.4	2.7	3.9
General inflation rate	2.8	3.5	2.4	2.1	3.0

Source: Department of Statistics, Sint Maarten

Table 10A Budgetary overview of Curaçao (in millions NAf.)

	2011-III	2012-III	2013-III
Revenues	377.0	378.2	366.9
Tax revenues, of which:	341.1	324.2	323.0
Taxes on income and profits	166.7	147.2	129.3
Taxes on property	16.1	10.6	13.2
Taxes on goods and services	112.6	125.4	142.4
Taxes on international trade and transactions	44.1	39.2	36.8
Nontax and other revenues	35.9	53.9	43.9
Expenditures, of which:	391.3	384.0	346.3
Wages and salaries	189.6	176.9	172.4
Goods and services	45.7	37.2	33.5
Transfers and subsidies	155.9	146.6	129.3
Interest payments	0.1	0.9	0.0
Budget balance	-14.3	-5.8	20.6

Table 10B Overview of selected tax revenues of Curaçao (in millions NAf.)

	2011-III	2012-III	2013-III
Taxes on income and profits, of which:	166.7	147.2	129.3
Profit tax	41.1	21.8	19.4
Wage tax	127.7	126.0	105.6
Taxes on property, of which:	16.1	10.6	13.2
Land tax	9.8	6.5	8.4
Property transfer tax	4.8	4.0	4.3
Taxes on goods and services, of which:	112.6	125.4	142.4
Sales tax	76.9	93.3	99.9
Excises, of which:	23.6	21.1	29.8
Excise on gasoline	15.2	11.9	21.9
Motor vehicle tax	5.1	5.3	5.9
Taxes on international trade and transactions, of which:	44.1	39.2	36.8
Import duties	43.8	38.8	36.8

Table 11A Budgetary overview of Sint Maarten (in millions NAf.)

	2011-III	2012-III	2013-III
Revenues	108.7	99.6	106.8
Tax revenues, of which:	74.2	76.2	81.4
Taxes on income and profits	35.4	31.0	35.5
Taxes on property	2.9	4.4	2.6
Taxes on goods and services	35.9	40.8	43.3
Social contributions	4.8	5.0	5.0
Nontax and other revenues	29.8	18.4	20.3
Expenditures	94.6	104.9	n.a.
Budget balance	14.1	-5.3	n.a.

n.a. = not available

Table 11B Overview of selected tax revenues of Sint Maarten (in millions NAf.)

	2011-III	2012-III	2013-III
Taxes on income and profits, of which:	35.4	31.0	35.5
Profit tax	2.2	-1.5	1.8
Wage tax	33.5	33.1	34.1
Taxes on property, of which:	2.9	4.4	2.6
Land tax	0.9	0.8	0.9
Property transfer tax	2.0	3.6	1.7
Taxes on goods and services, of which:	35.9	40.8	43.3
Turnover tax	26.7	28.8	31.2
Vehicle tax	0.2	0.2	0.2
Excise on gasoline	2.2	2.6	4.0

Table 12 The monetary base and its sources (in millions NAf.)

	2013-II	2013-III	Change	
			Amount	Percentage
Banknotes issued	387.0	387.1	0.2	0.0
Banks' demand deposits (current account)	224.6	151.7	-72.9	-32.5
Monetary base (M0)	611.6	538.8	-72.7	-11.9
Central bank assets				
Foreign assets (including gold)	2,885.3	2,939.8	54.5	1.9
Claims on deposit money banks	8.8	10.3	1.5	17.0
Claims on the government	0.3	0.3	0.0	-3.6
Claims on government agencies and institutions	513.3	511.7	-1.6	-0.3
Fixed and other assets	116.3	112.8	-3.6	-3.1
less:				
Central bank remaining liabilities				
Private sector deposits	1,233.3	1,234.4	1.1	0.1
Government deposits	130.9	291.9	161.0	122.9
Foreign liabilities	627.7	495.4	-132.3	-21.1
Other liabilities	103.4	97.0	-6.4	-6.2
Capital and reserves	817.2	917.3	100.2	12.3

Table 13 Monetary aggregates (quarterly changes, in millions NAf.)

	2013-I		2013-II		2013-III	
	Amount	%	Amount	%	Amount	%
Money supply (M2)	60.8	0.8	-47.5	-0.6	-124.8	-1.7
Money (M1)	1.7	0.1	-42.2	-1.3	-101.9	-3.1
Coins & notes with the public	-12.6	-3.8	3.6	1.1	-3.8	-1.2
Total demand deposits, of which:	14.3	0.5	-45.8	-1.5	-98.2	-3.3
- Netherlands Antillean guilders	-71.4	-3.1	5.1	0.2	-69.9	-3.1
- Foreign currency	85.7	11.6	-50.9	-6.2	-28.2	-3.6
Near money	59.2	1.5	-5.4	-0.1	-22.9	-0.6
Time deposits	31.7	1.5	-25.5	-1.2	6.7	0.3
Savings	27.5	1.4	20.1	1.0	-29.5	-1.5

Table 14 Monetary survey (in millions NAf.)

	2012-III	2012-IV	2013-I	2013-II	2013-III
Money supply (M2)	7,629.4	7,441.2	7,502.0	7,454.5	7,329.6
Money (M1)	3,518.5	3,365.3	3,366.9	3,324.7	3,222.8
Coins & notes with the public	292.4	331.8	319.2	322.8	319.0
Total demand deposits, of which:	3,226.1	3,033.5	3,047.8	3,002.0	2,903.8
- Netherlands Antillean guilders	2,468.1	2,292.3	2,220.9	2,226.0	2,156.0
- Foreign currency	758.0	741.2	826.9	776.0	747.8
Near money	4,110.9	4,075.9	4,135.1	4,129.7	4,106.8
Time deposits	2,171.9	2,149.5	2,181.2	2,155.7	2,162.4
Savings	1,939.1	1,926.4	1,953.9	1,974.0	1,944.5
Factors affecting the money supply	7,629.4	7,441.2	7,502.0	7,454.5	7,329.6
Net domestic assets	3,456.9	3,541.4	3,588.1	3,890.1	3,634.5
Government sector	-535.1	-425.7	-516.8	-439.9	-551.4
- Former central government	-114.0	-113.1	-83.0	-79.3	-80.4
- Curacao	-271.8	-180.7	-294.5	-241.5	-360.0
- Sint Maarten	-149.2	-131.9	-139.3	-119.1	-111.1
Private sector	6,473.2	6,373.8	6,460.9	6,422.9	6,340.8
Memorandum items	-2,481.3	-2,406.8	-2,356.0	-2,093.0	-2,154.9
Net foreign assets	4,172.5	3,899.8	3,913.9	3,564.4	3,695.2
Central bank	2,900.5	2,845.2	2,751.3	2,399.6	2,584.2
Commercial banks	1,272.0	1,054.6	1,162.6	1,164.8	1,110.9
Government loans by commercial banks	0.1	0.1	0.1	0.2	0.1
Government of Curaçao	0.0	0.0	0.0	0.1	0.0
Government of Sint Maarten	0.1	0.1	0.1	0.1	0.1
Private sector loans Curaçao	4,098.8	4,170.6	4,219.0	4,194.9	4,192.3
- Mortgages	1,753.0	1,782.4	1,793.2	1,812.3	1,826.1
- Consumer loans	948.4	945.3	932.6	900.2	905.0
- Business loans	1,397.4	1,442.9	1,493.1	1,482.5	1,461.1
Private sector loans Sint Maarten	1,498.5	1,471.9	1,455.2	1,443.2	1,445.5
- Mortgages	622.1	614.2	631.4	635.7	635.7
- Consumer loans	361.5	348.2	341.2	335.4	339.9
- Business loans	514.9	509.5	482.6	472.2	469.9

Table 15 Developments in domestic interest rates (in %)

	2012-III	2012-IV	2013-I	2013-II	2013-III
Central bank					
- Pledging rate	1.0	1.0	1.0	1.0	1.0
- Maximum CD rate (1 month)	0.11	0.13	0.12	0.10	0.10
Commercial bank borrowing rates					
- Passbook savings	1.2	1.2	1.2	1.2	1.2
- Time deposit (12 months)	1.7	1.6	1.6	1.6	1.7
Commercial bank lending rates					
- Mortgages	6.7	6.7	6.7	6.6	6.6
- Time loans	8.0	7.9	7.7	7.7	7.7
Government securities					
- Government bonds (5-year effective yield)	0.8	0.6	0.8	1.1	1.1
- Treasury bills (12 months)	0.01	0.01	0.03	0.01	0.09

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

	2012-III	2012-IV	2013-I	2013-II	2013-III
Assets					
Non-interest-bearing cash	1,544.4	1,447.4	1,417.4	1,477.6	1,494.1
Interest-bearing cash	2,795.7	2,697.3	2,868.4	2,872.0	2,639.0
Investments	1,547.4	1,434.3	1,459.7	1,406.2	1,352.0
Loans	8,670.6	8,784.8	8,832.3	8,856.1	8,867.1
Investments in unconsolidated subsidiaries and affiliates	97.9	94.7	107.2	113.5	59.2
Fixed assets	371.0	393.0	392.1	403.1	428.1
Other assets	373.2	385.9	372.8	533.8	445.1
Total assets	15,400.1	15,237.5	15,449.9	15,662.2	15,284.5
Liabilities					
Demand deposits	6,177.6	6,168.8	6,320.2	6,244.9	6,165.8
Savings deposits	4,020.3	4,117.3	4,082.9	4,120.3	4,033.9
Time deposits	2,636.2	2,598.1	2,684.9	2,779.9	2,608.6
Total deposits	12,834.2	12,884.2	13,087.9	13,145.2	12,808.3
Borrowings	210.4	20.0	35.7	75.4	58.0
Other liabilities	588.3	549.4	506.3	605.8	596.9
Total liabilities	13,633.0	13,453.6	13,629.9	13,826.4	13,463.2
Minority interest	11.5	10.2	11.2	10.9	11.6
General provisions	316.7	297.8	300.8	306.1	313.5
Capital & reserves	1,439.0	1,475.9	1,508.0	1,518.8	1,496.2
Total capital	1,767.2	1,783.9	1,819.9	1,835.8	1,821.3
Total liabilities and capital	15,400.1	15,237.5	15,449.9	15,662.2	15,284.5

**Table 17 Aggregate income statement of domestic commercial banks
(in millions NAf.)**

	2012-III	2012-IV	2013-I	2013-II	2013-III
Interest income	191.7	140.4	193.9	190.4	189.0
Interest expenses	32.0	21.1	31.7	31.6	33.0
Net interest income	159.7	119.3	162.3	158.7	156.0
Other income	70.0	79.5	84.4	65.1	81.6
Total operational income	229.7	198.8	246.7	223.8	237.6
Salaries & other employee expenses	86.4	81.7	90.4	89.4	91.7
Occupancy expenses	27.3	20.1	28.0	27.7	18.7
Other operating expenses	44.7	29.0	40.5	43.2	59.8
Net addition to general provisions	9.9	26.4	9.2	15.6	52.9
Total operational expenses	168.4	157.3	168.1	175.9	223.0
Net operating income	61.3	41.5	78.6	47.9	14.6
Net extraordinary items	8.1	29.6	6.3	27.4	17.7
Applicable profit taxes	11.2	7.1	11.4	14.3	10.6
Net income after taxes	58.3	64.0	73.5	60.9	21.7