



# SUPPLEMENT TO THE QUARTERLY BULLETIN 2014-III

## DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

During the third quarter of 2014, the deficit on the current account of the balance of payments of the monetary union narrowed by NAf.79.5 million compared to the third quarter of 2013. The smaller deficit was caused largely by a strong improvement in the services balance, mitigated by a worsening of the trade, income and current transfers balances. External financing increased at a faster pace, reflecting a worsening of the loans and credits balance in combination with an acceleration of net direct investments in the monetary union. Meanwhile, capital transfers dropped as the development aid from the Netherlands is being phased out. As the capital inflow and external financing exceeded the current account deficit, the gross reserves of the central bank rose by NAf.89.1 million (see Table 1).

**Table 1 Balance of payments summary (in millions NAf.)**

	2012-III	2013-III	2014-III
Current account	-477.7	-398.3	-318.8
Capital transfers	7.6	6.5	4.9
External financing of the government	-1.6	0.7	-0.2
External financing of the private sector	305.5	290.0	355.3
- Direct investment	46.6	17.0	128.8
- Loans and credits	219.3	73.0	141.5
- Portfolio investments	39.6	200.0	85.0
Change in gross reserves of the central bank *)	128.8	46.8	-89.1
- Foreign exchange	119.2	56.0	-89.9
- held at foreign central banks	375.0	45.5	68.4
- held at foreign commercial banks	-255.8	10.5	-158.3
- Other claims	9.6	-9.2	0.8
Statistical discrepancies	37.4	54.4	47.9

\*) A minus sign implies an increase.

## CURRENT ACCOUNT

Net exports of goods and services in the monetary union rose by NAf.107.4 million during the third quarter of 2014 compared to the third quarter of 2013, as the increase in exports (NAf.229.5 million) outweighed a rise in imports (NAf.122.1 million). Below follows an

analysis of the development in net exports of goods and services in Curaçao and Sint Maarten.<sup>1</sup>

### *Developments in the net export of goods and services in Curaçao*

In Curaçao, net exports of goods and services improved by NAf.79.4 million during the third quarter of 2014 compared to the third quarter of 2013, due to a rise in exports (NAf.190.9 million) mitigated by a growth in imports (NAf.111.5 million). The rise in exports was related mostly to an increase in the refining fee reflecting mainly more trading activities provided by CRU<sup>2</sup> to PDVSA. In addition, foreign exchange earnings from bunkering activities increased due to higher volumes sold. More foreign exchange revenues from the tourism and transportation sectors also contributed to the rise in exports. Foreign exchange revenues from the tourism industry increased strongly, reflecting mainly a rise in earnings from stay-over tourism (NAf.27.6 million), in combination with more receipts from cruise tourism (NAf.4.1 million). Meanwhile, foreign exchange revenues from the transportation sector grew (NAf.6.7 million), largely as a result of an increase in sea transportation due to more activities at the harbor. In contrast, foreign exchange revenues from air transportation services declined caused by a significant drop in transit passengers from Venezuela as they preferred using the airport of Aruba for their transits to the United States. In addition, re-exports by the free-zone companies rose, reflecting larger quantities sold by the free-zone merchants.

The growth in the imports of goods and services was largely the result of more merchandise imports by free-zone companies, reflecting, among other things, a higher quantity re-exported in combination with the replenishment of inventories. Furthermore, despite a decline in international oil prices, oil imports rose, due mainly to an increased demand for bunkering activities.

### *Developments in the net export of goods and services in Sint Maarten*

In Sint Maarten, net foreign demand grew by NAf.22.5 million during the third quarter of 2014 compared to 2013's third quarter, as the rise in exports (NAf.32.3 million) outweighed the increase in imports (NAf.9.8 million). The growth in export earnings was related mostly to the tourism sector (NAf.39.1 million) as foreign exchange revenues from both cruise tourism (NAf.27.3 million) and stay-over tourism (NAf.11.7 million) increased. Meanwhile, the import growth was primarily attributable to more merchandise imports by the wholesale and retail trade sector. Import growth was, however, mitigated by fewer oil imports, reflecting the decline in international oil prices and a flat demand for bunkering activities.

### *Developments in the income balance and current transfers balance*

The income balance of the monetary union deteriorated by NAf.16.6 million during the third quarter of 2014 compared to the third quarter of 2013, due mainly to a decline in net

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<sup>1</sup> The current account of the monetary union is not equal to the sum of the current accounts of Curaçao and Sint Maarten due to the unregistered transactions between the two countries.

<sup>2</sup> The Curaçao Refinery Utilities, a subsidiary of Refineria di Korsou.

interest income received from investments abroad. In addition, investment income paid to abroad increased and the hotel and restaurant sector in Sint Maarten paid more labor income to abroad.

Meanwhile, the current transfers balance deteriorated by NAf.11.5 million, reflecting mainly a decline in current transfers received from abroad, including transfers received by the government. The latter was the result of fewer revenues from landing rights compared to the third quarter of 2013. The worsening of the current transfers balance was, however, mitigated by a decline in current transfers paid to abroad.

Overall, the deficit on the current account declined by NAf.79.5 million to NAf.318.8 million in the third quarter of 2014, compared to 2013's third quarter. (For a detailed overview, see Table 2 in the appendix.)

## **DEVELOPMENTS IN THE FINANCIAL AND CAPITAL ACCOUNT**

In line with the deficit on the current account, the net foreign wealth of the private sector dropped by NAf.355.3 million in the third quarter of 2014. This change in the external financing of the private sector was due mainly to a deterioration of the loans and credits balance. In addition, the direct investment and portfolio investment balances worsened.

The loans and credits balance worsened by NAf.141.5 million because local companies transferred funds held on their foreign bank accounts to their local bank accounts. Also, the net trade credit balance worsened because of an increase in repayments by foreign companies on trade credits extended by local companies in combination with more trade credits received by local companies on their imports.

Net direct investments into the monetary union expanded by NAf.128.8 million, due mainly to increased claims by foreign direct investors on their subsidiaries in Curaçao and Sint Maarten and the purchase of real estate by non-residents. Also, claims of local direct investors on their foreign subsidiaries increased.

The portfolio investment balance worsened by NAf.85.0 million, caused largely by funds received from matured foreign debt securities held by institutional investors that were not reinvested abroad in combination with funds received from the sale of equity securities by institutional investors.

Meanwhile, capital transfers received dropped to NAf.4.9 million in the third quarter of 2014, down from NAf.6.5 million in the third quarter of 2013 because of the phasing out of development aid funds from the Netherlands as agreed upon under the debt relief program. As the inflows from capital transfers and external financing surpassed the current account deficit, gross reserves increased by NAf.89.1 million. (See Table 3 in the appendix for a detailed overview.)

**Table 2 Detailed overview of the balance of payments (in millions NAf.)**

	2012-III	2013-III	2014-III
Trade balance	-842.6	-798.0	-851.8
-Exports	469.7	359.5	365.5
-Imports	1,312.3	1,157.5	1,217.3
Services balance	448.8	477.0	638.4
Receipts, of which:	948.2	979.5	1,203.2
-Travel	491.2	515.2	586.0
-Transportation	102.8	126.4	132.6
-Other services, of which:	354.2	337.9	484.6
-Int. fin & bus. services sector	36.7	40.8	52.1
Expenses, of which:	499.4	502.5	564.8
-Travel	169.8	185.1	198.7
-Transportation	91.1	94.9	90.1
-Other services, of which:	238.5	222.5	276.0
-Int. fin & bus. services sector	19.4	27.5	34.1
Income balance <sup>1)</sup>	-18.4	-21.0	-37.6
Current transfers balance <sup>2)</sup>	-65.5	-56.3	-67.8
<b>Current account balance</b>	<b>-477.7</b>	<b>-398.3</b>	<b>-318.8</b>
<b>Capital &amp; financial account balance</b>	<b>440.3</b>	<b>343.9</b>	<b>270.9</b>
Capital account balance	7.6	6.5	4.9
Financial account balance	432.7	337.4	266.0
<b>Net errors &amp; omissions</b>	<b>37.4</b>	<b>54.4</b>	<b>47.9</b>

1) Labor and investment income.

2) Public and private transfers.

**Table 3 Breakdown of net changes in the financial account<sup>1)</sup> (in millions NAf.)**

	2012-III	2013-III	2014-III
Direct investment	46.6	17.0	128.8
- Abroad <sup>2)</sup>	-6.8	-26.2	-19.1
- In Curaçao and Sint Maarten <sup>3)</sup>	53.4	43.2	147.9
Portfolio investment <sup>2)</sup>	39.6	200.0	85.0
Other investment, of which:	186.4	25.9	47.5
- Assets <sup>2)</sup>	250.5	255.0	-32.2
- Liabilities <sup>3)</sup>	-64.1	-229.1	79.7
Net lending/borrowing, of which:	31.3	47.8	93.8
- Assets <sup>2)</sup>	-16.5	4.9	19.4
- Liabilities <sup>3)</sup>	47.8	42.9	74.4
Reserves <sup>4)</sup>	128.8	46.7	-89.1
Total assets <sup>2)</sup>	395.6	480.4	-36.0
Total liabilities <sup>3)</sup>	37.1	-143.0	302.0
<b>Balance</b>	<b>432.7</b>	<b>337.4</b>	<b>266.0</b>

1) Transaction basis

2) A minus sign means an increase in assets.

3) A minus sign means a decrease in liabilities.

4) A minus sign means an increase in reserves.