



SUPPLEMENT TO THE QUARTERLY BULLETIN 2016-I

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

During the first quarter of 2016, the current account of the balance of payments recorded a deficit of NAf.35.2 million, a turnaround compared to the surplus of NAf.23.1 million registered in the first quarter of 2015. The development on the current account reflected primarily a decline in the net export of goods and services. In addition, the income and current transfers balances worsened. Meanwhile, gross official reserves grew by NAf.88.5 million as the external financing surpassed the deficit on the current account (see Table 1).

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

	2014-I	2015-I	2016-I
Current account	-157.5	23.1	-35.2
Capital transfers	7.6	-0.3	0.6
External financing of the government	0.3	1.2	7.3
External financing of the private sector	273.6	239.0	96.5
- Direct investment	89.2	29.8	42.6
- Loans and credits	35.4	-124.3	-79.1
- Portfolio investments	149.1	333.4	133.0
Change in gross reserves of the central bank *)	-141.4	-290.9	-88.5
- Foreign exchange	-172.3	-10.3	-179.3
- held at foreign central banks	-12.0	-2.7	-105.5
- held at foreign commercial banks	-160.3	-7.7	-73.8
- Other claims	30.9	-280.6	90.8
Statistical discrepancies	17.4	27.9	-15.9

*) A minus sign implies an increase.

CURRENT ACCOUNT

The net export of goods and services in the monetary union dropped by NAf.37.2 million during the first quarter of 2016 compared to the first quarter of 2015 because of a drop in exports (NAf.144.8 million) mitigated by lower imports (NAf.107.6 million).

Below is an analysis of developments in the net export of goods and services in Curaçao and Sint Maarten¹ in the first quarter of 2016.

Developments in the net export of goods and services in Curaçao

In Curaçao, net foreign demand contracted by NAf.30.5 million as the decline in exports (NAf.140.3 million) surpassed the drop in imports (NAf.109.8 million). The fall in imports stemmed primarily from a decline in oil imports, led by the lower international oil prices. In addition, the import of computer & information services shrank.

The disappointing export performance can be ascribed to, among other things, a drop in the refining fee received by the Isla refinery due to a decline in refining and trading activities. Furthermore, foreign exchange revenues from bunkering activities went down, reflecting lower international oil prices. Lower foreign exchange earnings from air transportation services provided to abroad, particularly to Venezuela, also contributed to the contraction in exports. However, an increase in foreign exchange receipts from both international financial services and ship repair activities mitigated the decline in exports. Meanwhile, foreign exchange revenues from tourism activities remained practically unchanged as the rise in earnings from stay-over tourism was offset by a decline in revenues from cruise tourism. The development in stay-over tourism was the result of an increase in earnings from the North American and European markets that compensated for the drop in the South American market. Meanwhile, the decline in cruise tourism revenues reflected a drop in the number of cruise visitors during the first quarter of 2016 compared to the first quarter of 2015.

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

In Sint Maarten, the net export of goods and services dropped by NAf.11.3 million during the first quarter of 2016 due to a decline in exports (NAf.9.2 million) combined with higher imports (NAf.2.1 million). Imports rose mainly because of more oil imports. Despite a decline in international oil prices, oil imports increased, reflecting higher volumes of fuel purchased from abroad. By contrast, merchandise imports by the wholesale & retail trade sector dropped, in line with the decline in consumer spending.

Exports shrank over 2016's first quarter due largely to a decline in foreign exchange receipts from cruise tourism, ascribable to a marked drop in the number of cruise tourists. However, an increase in the foreign exchange earnings from stay-over tourism moderated the contraction of exports. This increase in earnings was in line with the higher number of stay-over visitors recorded during the first quarter of 2016 compared to the first quarter of 2015.

¹ 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.

Developments in the income balance and current transfers balance

The income balance worsened by NAf.9.1 million in the first quarter of 2016 due mainly to an increase in interest paid to foreign investors combined with lower dividend and interest income received from abroad. The worsening of the income balance was mitigated, however, by an increase in labor income earned from abroad. Meanwhile, the deficit on the current transfers balance widened by NAf.11.9 million due primarily to an increase in current transfers paid to abroad.

Overall, the current account balance deteriorated by NAf.58.3 million during the first quarter of 2016 compared to the first quarter of 2015, resulting in a deficit of NAf.35.2 million. (For a detailed overview, refer to Table 2 in the Appendix.)

Developments in the financial and capital account

The current account deficit contributed to a NAf.96.5 million increase in the net foreign indebtedness of the private sector in the first quarter of 2016. This increase was reflected by a deterioration of the portfolio and direct investment balances. By contrast, the loans & credits balance improved.

The portfolio investment balance worsened by NAf.133.0 primarily because of funds received from matured foreign debt securities held by institutional investors that were not reinvested abroad. The bulk of these matured debt securities was issued in the past by the entities of the former Netherlands Antilles and taken over by the Dutch State in October 2010 as part of the debt relief agreement. Meanwhile, the direct investment balance deteriorated by NAf.42.6 million due mainly to increased claims of foreign direct investors on their subsidiaries in the monetary union.

The loans & credits balance improved by NAf.79.1 million sustained primarily by an increase in foreign deposits of residents of Curaçao and Sint Maarten and the repayment of foreign loans extended to residents of Curaçao and Sint Maarten. The improvement of the loans & credits balance was dampened by an increase in nonresidents' deposits in the monetary union. Also, the net trade credit balance worsened as a result of the net repayment of trade credit extended to foreign customers combined with an increase of trade credits received on imports.

As the external financing was more than sufficient to cover the current account deficit during the March quarter of 2016, gross official reserves grew by NAf.88.5 million. (Refer to Table 3 in the Appendix for a detailed overview.)

APPENDIX

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

	2014-I	2015-I	2016-I
Trade balance	-981.0	-817.2	-807.3
-Exports	317.9	292.2	225.2
-Imports	1,298.8	1,109.4	1,032.5
Services balance	881.3	880.1	833.0
Receipts, of which:	1,380.6	1,391.8	1,314.0
-Travel	825.8	862.1	856.3
-Transportation	106.2	106.2	83.6
-Other services, of which:	448.6	423.5	374.1
-Int. fin & bus. services sector	63.0	45.5	63.3
Expenses, of which:	499.3	511.7	481.0
-Travel	155.0	171.0	188.9
-Transportation	82.4	73.3	60.9
-Other services, of which:	262.0	267.5	231.2
-Int. fin & bus. services sector	34.2	27.8	28.5
Income balance ¹⁾	-15.0	-15.1	-24.2
Current transfers balance ²⁾	-42.8	-24.7	-36.6
Current account balance	-157.5	23.1	-35.2
Capital & financial account balance	140.1	-51.0	15.9
Capital account balance	7.6	-0.3	0.6
Financial account balance	132.5	-50.7	15.3
Net errors & omissions	17.4	27.9	-15.9

1) Labor and investment income.

2) Public and private transfers.

Table 3 Breakdown of net changes in the financial account¹⁾ (in millions NAf.)

	2014-I	2015-I	2016-I
Direct investment	89.2	29.8	42.6
- Abroad ²⁾	-17.6	-14.3	-11.3
- In Curaçao and Sint Maarten ³⁾	106.8	44.2	53.9
Portfolio investment ²⁾	149.1	333.4	133.0
Other investment, of which:	-38.6	-95.4	-112.4
- Assets ²⁾	-289.3	-31.8	-254.7
- Liabilities ³⁾	250.6	-63.6	142.4
Net lending/borrowing, of which:	74.3	-27.7	40.5
- Assets ²⁾	36.5	31.4	27.4
- Liabilities ³⁾	37.8	-59.0	13.1
Reserves ⁴⁾	-141.4	-290.9	-88.5
Total assets ²⁾	-262.6	27.7	-194.1
Total liabilities ³⁾	395.2	-78.4	209.4
Balance	132.5	-50.7	15.3

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.*