



SUPPLEMENT TO THE QUARTERLY BULLETIN 2017-II

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

The deficit on the current account of the balance of payments remained practically unchanged in the second quarter of 2017 (NAf.292.4 million) compared to the second quarter of 2016 (NAf.296.2 million) because the declines in the net export of goods and services and net current transfers was offset by an increase in net income from labor and investments received from abroad. As the external financing was insufficient to cover the current account deficit, gross official reserves contracted by NAf.5.4 million (See Table 1).

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

	2015-II	2016-II	2017-II
Current account	-312.7	-296.2	-292.4
Capital transfers	-0.4	0.2	-2.7
External financing of the government	0.1	4.9	1.0
External financing of the private sector	87.7	377.6	260.4
- Direct investment	62.6	27.7	60.8
- Loans and credits	-35.0	220.8	150.2
- Portfolio investment	60.1	129.1	49.3
Change in gross reserves of the central bank ^{*)}	178.1	-116.3	5.4
- Foreign exchange	201.4	-25.5	-10.0
- held at foreign central banks	183.0	58.6	-141.2
- held at foreign commercial banks	18.4	-84.1	131.2
- Other claims	-23.3	-90.8	15.4
Statistical discrepancies	47.2	29.8	28.4

^{*)} A minus sign implies an increase.

CURRENT ACCOUNT

The net export of goods and services in the monetary union shrank by NAf.12.1 million during the June quarter of 2017 compared to the June quarter of 2016 because the increase in imports (NAf.41.1 million) surpassed the export growth (NAf.29.0 million).

Below follows an analysis of the developments in the net export of goods and services in Curaçao and Sint Maarten.¹

Developments in the net export of goods and services in Curaçao

In Curaçao, net foreign demand dropped by NAf.62.3 million during the second quarter of 2017 because imports increased (NAf.40.6 million), while exports declined (NAf.21.7 million). Imports increased mainly because of more foreign exchange spending by residents of Curaçao related to travel. Oil imports rose as well, reflecting higher international oil prices. Moreover, the import of construction services went up mostly because of the construction of the new hospital and the second megapier, and maintenance work at the Isla refinery. By contrast, merchandise imports by the wholesale & retail trade sector dropped in line with the decline in domestic spending and lower tourism spending.

The negative export performance stemmed mostly from a decline in air transportation services provided to abroad, especially to Venezuela because of the financial issues the local carrier InselAir has been facing since the third quarter of 2016. Furthermore, the refining fee of the Isla refinery dropped due to less refining activities. In addition, foreign exchange revenues from tourism activities fell because of a decline in stay-over tourism caused by a lower number of visitors from particularly South America, notably Venezuela, and the Caribbean. In contrast, cruise tourism revenues increased driven by a rise in the number of cruise visitors in the second quarter of 2017 compared to the second quarter of 2016. However, the growth in foreign exchange revenues from bunkering activities, reflecting higher international oil prices, mitigated the contraction in export.

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

In Sint Maarten, net exports rose by NAf.60.5 million in the second quarter of 2017 because exports increased (NAf.43.9 million), while imports dropped (NAf.16.6 million). Exports increased mostly because of higher foreign exchange receipts from both stay-over and cruise tourism, reflecting increases in the number of stay-over visitors and in the number of cruise tourists. However, foreign exchange earnings from merchandise re-exports by the wholesale & retail trade sector dropped.

Meanwhile, the drop in imports resulted primarily from less oil imports, caused by lower volumes of fuel purchased from abroad as international oil prices increased. In addition, merchandise imports by the post & telecommunication and wholesale & retail trade sectors shrank.

Developments in the income balance and current transfers balance

The current transfers balance deteriorated by NAf.1.7 million because the current transfers received from abroad dropped at a faster pace than the current transfers paid to abroad. Meanwhile, the deficit on the income balance narrowed by NAf.17.6 million in the June

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.

quarter of 2017 because of an increase in dividend and interest income received and labor income earned from abroad moderated by a rise in interest paid to foreign investors.

The current account balance improved slightly by NAf.3.8 million during the April-June period of 2017, resulting in a deficit of NAf.292.4 million. (For a detailed overview, refer to Table 2 in the Appendix.)

Developments in the financial and capital account

In line with the current account deficit, net foreign wealth of the private sector dropped by NAf.260.4 million in the second quarter of 2017. This change in external financing reflected a worsening of the loans & credits (NAf.150.2 million), direct investment (NAf.60.8 million), and portfolio investment (NAf.49.3 million) balances.

The loans & credits balance worsened because of an increase in nonresidents' deposits in the monetary union. Furthermore, local companies used their foreign bank accounts to finance part of their imports. In addition, the net trade credits balance deteriorated due to the net repayment of trade credit and loans extended in the past by local merchants to foreign customers. The worsening of the loans & credits balance was, however, moderated by a rise in foreign deposits of residents of Curaçao and Sint Maarten and the net repayment of loans extended from abroad to companies in Curaçao and Sint Maarten.

Meanwhile, net direct investments into the monetary union rose, due to increased claims of foreign direct investors on their subsidiaries in the monetary union. The portfolio investment balance deteriorated because of funds received from matured foreign debt securities held by institutional investors which 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 government in October 2010 as part of the debt relief program. However, the repayment of matured debt securities that were issued in the past by companies in the monetary union mitigated the deterioration of the portfolio investment balance.

As the external financing was not sufficient to cover the current account deficit in the second quarter of 2017, gross official reserves fell by NAf.5.4 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.)

	2015-II	2016-II	2017-II
Trade balance	-804.4	-711.2	-699.3
-Exports	258.6	247.7	260.2
-Imports	1063.1	958.9	959.5
Services balance	524.9	455.7	431.8
Receipts, of which:	1073.2	969.8	986.4
-Travel	563.7	525.9	559.9
-Transportation	102.4	76.5	56.6
-Other services, of which:	407.2	367.4	370.0
-Int. fin & bus. services sector	53.3	69.2	60.6
Expenses, of which:	548.4	514.1	554.6
-Travel	193.4	184.5	205.5
-Transportation	78.1	69.8	75.7
-Other services, of which:	276.9	259.8	273.4
-Int. fin & bus. services sector	32.9	37.1	41.6
Income balance ¹⁾	-14.0	-23.7	-6.1
Current transfers balance ²⁾	-19.1	-17.0	-18.7
Current account balance	-312.7	-296.2	-292.4
Capital & financial account balance	265.5	266.4	264.1
Capital account balance	-0.4	0.2	-2.7
Financial account balance	265.9	266.2	266.7
Net errors & omissions	47.2	29.8	28.4

1) Labor and investment income.

2) Public and private transfers.

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

	2015-II	2016-II	2017-II
Direct investment	62.6	27.7	60.8
- Abroad ²⁾	-15.6	-30.0	-11.3
- In Curaçao and Sint Maarten ³⁾	78.2	57.6	72.2
Portfolio investment ²⁾	60.1	129.1	49.3
Other investment, of which:			
- Assets ²⁾	-139.9	298.4	131.0
- Liabilities ³⁾	-178.2	446.4	45.0
	38.3	-148.0	86.1
Net lending/borrowing, of which:			
- Assets ²⁾	105.0	-72.7	20.1
- Liabilities ³⁾	14.2	44.8	31.8
	90.7	-117.5	-11.7
Reserves ⁴⁾	178.1	-116.3	5.4
Total assets ²⁾	58.7	474.0	120.2
Total liabilities ³⁾	207.2	-207.9	146.5
Balance	265.9	266.2	266.7

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.