



SUPPLEMENT TO THE QUARTERLY BULLETIN 2017-III

DEVELOPMENTS IN THE BALANCE OF PAYMENTS OF THE MONETARY UNION

The deficit on the current account of the balance of payments narrowed considerably from NAf.407.4 million in the third quarter of 2016 to NAf.264.2 million in the third quarter of 2017. The lower deficit stemmed from an increase in the net export of goods and services and an improvement in the income and current transfers balances. As the external financing was insufficient to cover the current account deficit, gross official reserves contracted by NAf.100.2 million (See Table 1).

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

	2015-III	2016-III	2017-III
Current account	-331.1	-407.4	-264.2
Capital transfers	-1.6	1.3	0.3
External financing of the government	1.4	0.3	4.0
External financing of the private sector	299.4	371.3	140.4
- Direct investment	117.3	136.5	330.8
- Loans and credits	41.9	196.4	-373.7
- Portfolio investment	140.1	38.5	183.3
Change in gross reserves of the central bank *)	25.2	39.9	100.2
- Foreign exchange	97.5	157.8	70.8
- held at foreign central banks	203.3	39.4	198.2
- held at foreign commercial banks	-105.7	118.5	-127.4
- Other claims	-72.3	-117.9	29.4
Statistical discrepancies	6.7	-5.5	19.3

*) A minus sign implies an increase.

CURRENT ACCOUNT

The net export of goods and services in the monetary union rose by NAf.26.2 million during the September quarter of 2017 compared to the September quarter of 2016 because the drop in imports (NAf.101.7 million) exceeded the decline in exports (NAf.75.5 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 contracted by NAf.9.4 million during the third quarter of 2017 because exports dropped (NAf.20.8 million) at a faster pace than imports (NAf.11.4 million). Exports dropped due to, among other things, a decline in air transportation services provided to abroad related to 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. Also foreign exchange revenues from tourism activities fell, stemming from a decline in stay-over tourism caused by a lower number of visitors from particularly South America and the Caribbean. In contrast, cruise tourism revenues increased driven by a rise in the number of cruise visitors in the third quarter of 2017 compared to the third quarter of 2016. The poor export performance was mitigated by higher foreign exchange revenues from bunkering activities, reflecting higher international oil prices.

The drop in imports resulted mainly from a decline in merchandise imports by the wholesale & retail trade sector in line with the decline in domestic spending and lower tourism spending. However, oil imports went up, reflecting higher international oil prices, moderating the decline in imports. The import of construction services also rose, related to the construction of the new hospital and the second megapier, and maintenance work at the Isla refinery.

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

In Sint Maarten, net exports rose by NAf.39.5 million in the third quarter of 2017 because the decline in imports (NAf.89.1 million) surpassed the drop in exports (NAf.49.5 million). The decline in imports stemmed mostly from less merchandise imports by the wholesale & retail trade and utilities sectors. Additionally, oil imports shrank as a result of lower volumes of fuel purchased from abroad as international oil prices increased. The widespread damage caused by Hurricane Irma to, among other things, the utility company, the airport, marine facilities, residential and commercial property, gas stations and motor vehicles, contributed to the lower demand for oil products.

Exports fell primarily because of lower foreign exchange revenues from both stay-over and cruise tourism following the passing of Hurricane Irma in September 2017 that caused enormous damage to Sint Maarten's tourism and transportation infrastructure. Moreover, foreign exchange earnings from merchandise re-exports by the wholesale trade sector dropped.

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 registered a positive turnaround of NAf.35.2 million during the July-September period of 2017, due largely to an increase in dividend and interest income received from abroad.

The current transfers balance also turned positive, improving by NAf.81.9 million mainly because of an increase in current transfers received from reinsurers abroad. The higher transfers from reinsurers reflected primarily the inflow of funds related to the claims by local insurance companies to pay off their clients in Sint Maarten whose insured properties were damaged by Hurricane Irma. Furthermore, Sint Maarten received in-kind support particularly from the Netherlands, which also contributed to the improvement of the current transfers balance. (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.140.4 million in the third quarter of 2017. This change in external financing can be attributed to a worsening of both the direct investment (NAf.330.8 million) and portfolio investment (NAf.183.3 million) balances, mitigated by an improvement of the loans & credits balance (NAf.373.7 million).

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 only partly 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 under the debt relief program. In addition, the bonds issued by the government of Sint Maarten in August 2017 that were purchased by the Dutch State due to the standing subscription arrangement contributed to the deterioration of the portfolio investment balance.

The loans & credits balance improved mainly because of increased deposits of local companies on their foreign bank accounts. In addition, nonresidents' deposits in the monetary union declined. However, the net trade credits balance worsened due to more trade credit received by local merchants to finance their imports.

As the external financing was not sufficient to cover the current account deficit in the third quarter of 2017, gross official reserves dropped by NAf.100.2 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-III	2016-III	2017-III
Trade balance	-756.6	-742.2	-641.1
-Exports	230.1	228.8	247.8
-Imports	986.7	971.1	888.9
Services balance	505.3	406.0	331.1
Receipts, of which:	1,027.0	955.8	861.4
-Travel	560.1	519.8	459.2
-Transportation	64.5	64.5	49.1
-Other services, of which:	402.5	371.5	353.1
-Int. fin & bus. services sector	63.0	55.0	52.7
Expenses, of which:	521.7	549.7	530.3
-Travel	207.7	223.2	214.5
-Transportation	80.7	73.4	69.7
-Other services, of which:	233.4	253.2	246.1
-Int. fin & bus. services sector	25.2	35.9	35.3
Income balance ¹⁾	-39.0	-24.2	10.9
Current transfers balance ²⁾	-40.8	-47.0	34.9
Current account balance	-331.1	-407.4	-264.2
Capital & financial account balance	324.4	412.9	244.9
Capital account balance	-1.6	1.3	0.3
Financial account balance	326.0	411.6	244.6
Net errors & omissions	6.7	-5.5	19.3

1) Labor and investment income.

2) Public and private transfers.

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

	2015-III	2016-III	2017-III
Direct investment	117.3	136.5	330.8
- Abroad ²⁾	-18.6	-12.2	263.9
- In Curaçao and Sint Maarten ³⁾	135.9	148.6	66.9
Portfolio investment ²⁾	140.1	38.5	183.3
Other investment, of which:	40.4	129.4	-385.6
- Assets ²⁾	188.1	-49.3	-231.3
- Liabilities ³⁾	-147.7	178.6	-154.3
Net lending/borrowing, of which:	2.9	67.3	15.9
- Assets ²⁾	19.6	20.6	-29.5
- Liabilities ³⁾	-16.7	46.8	45.4
Reserves ⁴⁾	25.2	39.9	100.2
Total assets ²⁾	354.4	37.5	286.6
Total liabilities ³⁾	-28.4	374.0	-42.0
Balance	326.0	411.6	244.6

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.*