

# The state of Sint Maarten's economy



Annual general meeting of the  
Sint Maarten Hospitality & Trade Association (SHTA)  
March 29, 2012

# Outline presentation

- **Developments in:**
  - **Real sector.**
  - **Public sector.**
  - **External sector.**
  - **Monetary and financial sector.**
- **Outlook for 2012**

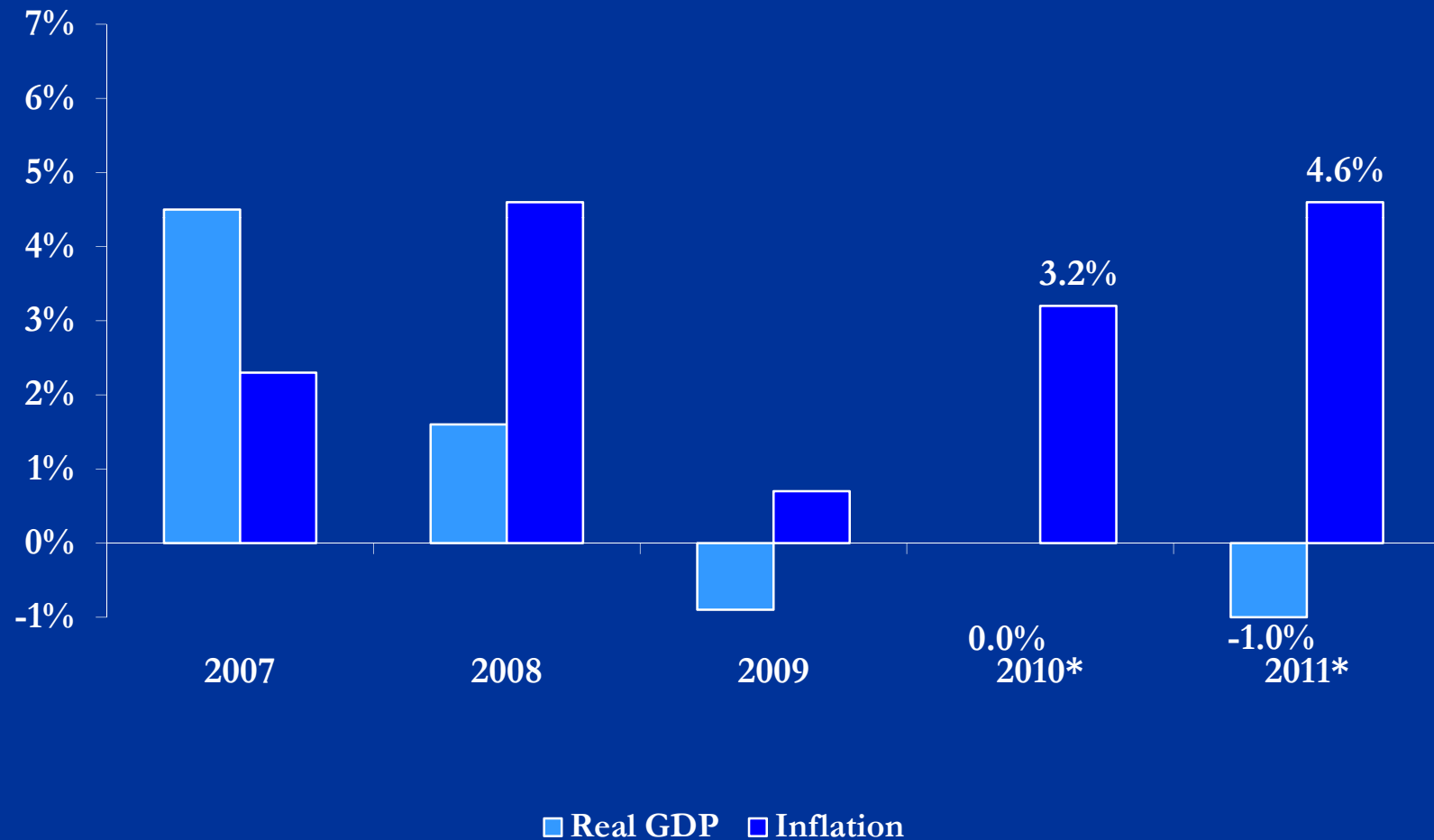
# Real sector



# **Main developments in Sint Maarten for 2011**

- **Economic contraction of 1.0%, caused mainly by poor developments in stay-over tourism.**
- **Inflation rate soared to 4.6%, driven by (1) higher turnover tax (TOT); and (2) rising fuel and utility prices.**

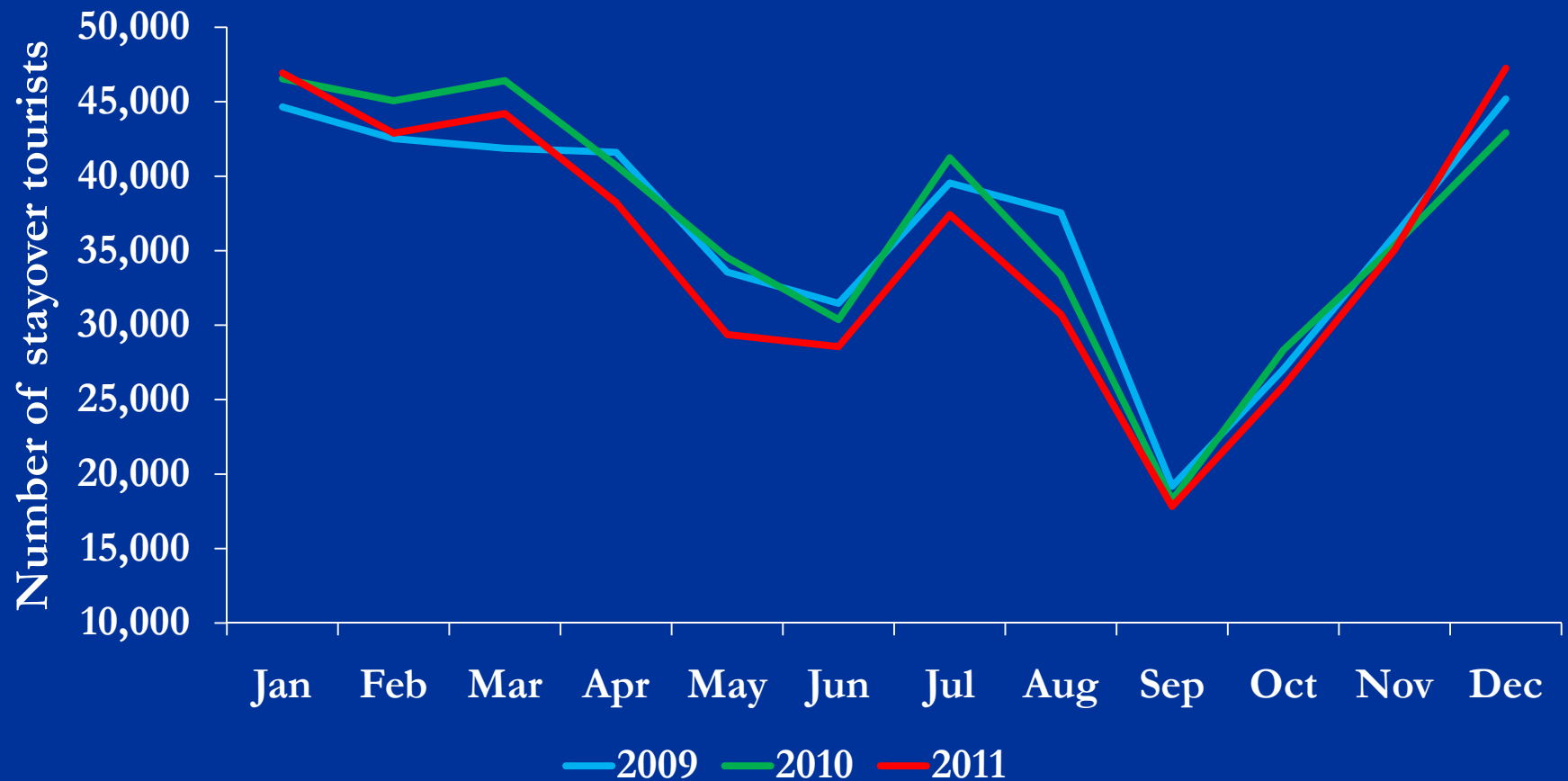
# Economic development Sint Maarten



\*CBCS estimate

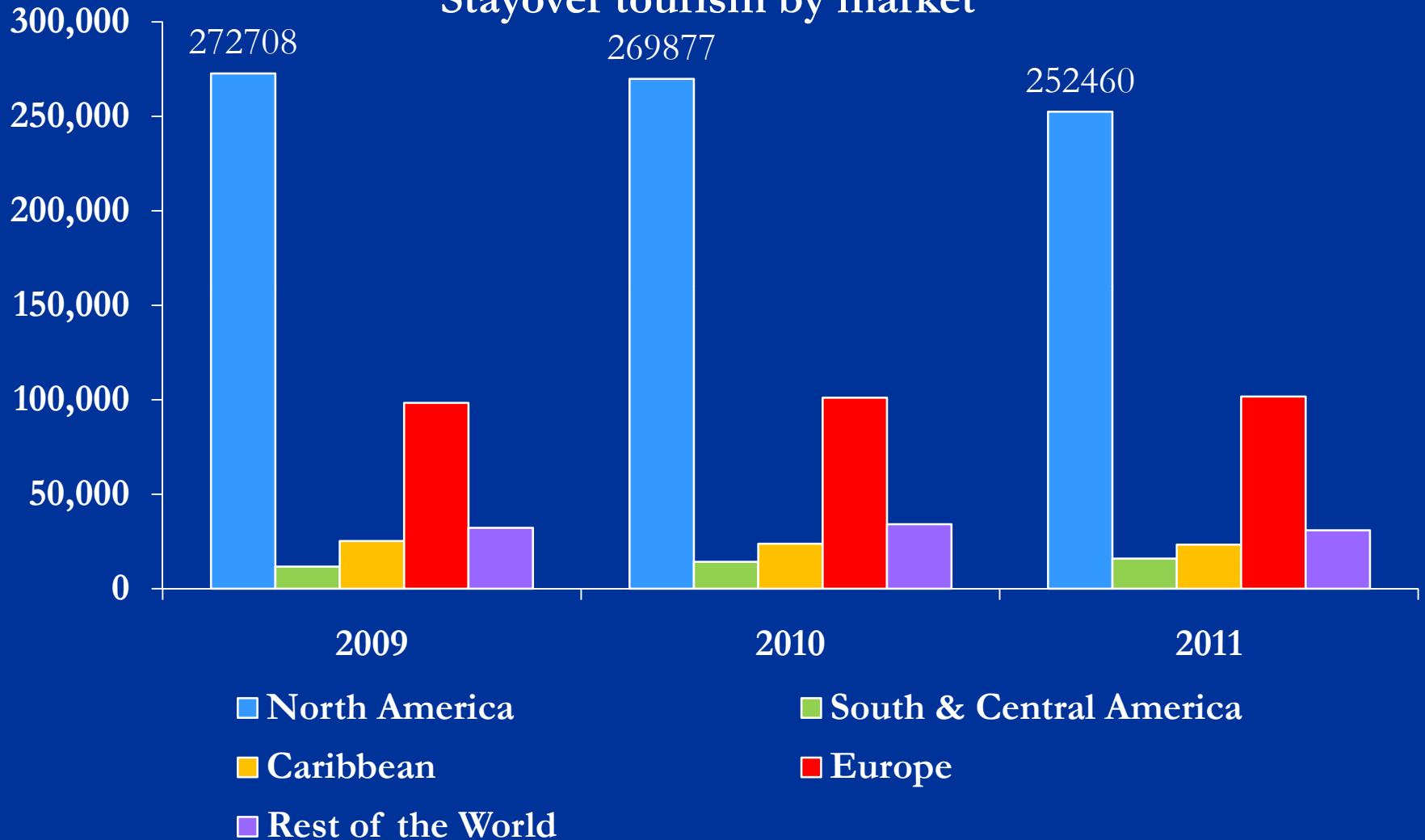
# Developments tourism sector

## Stayover tourism



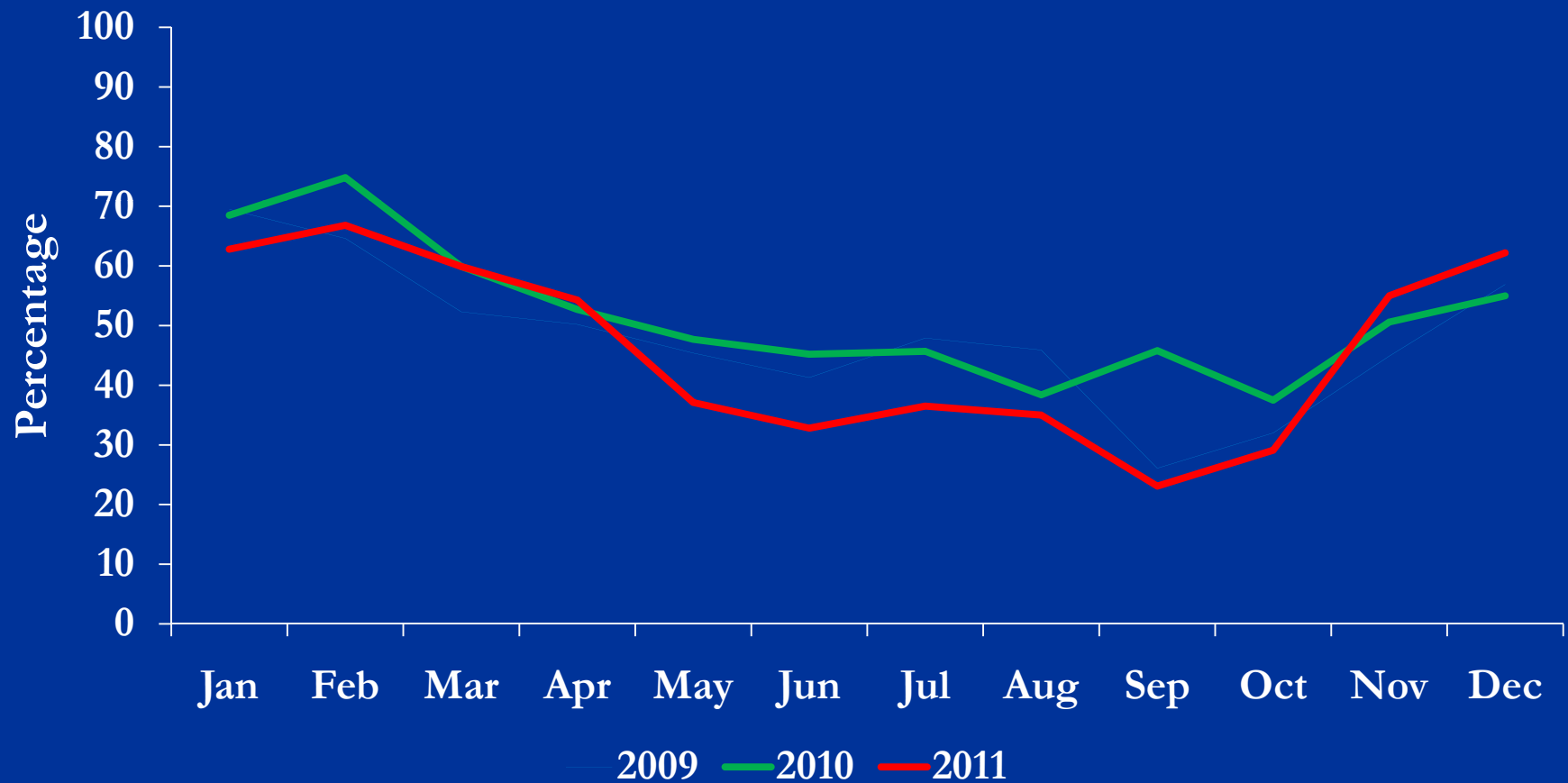
# Developments tourism sector

## Stayover tourism by market



# Developments tourism sector

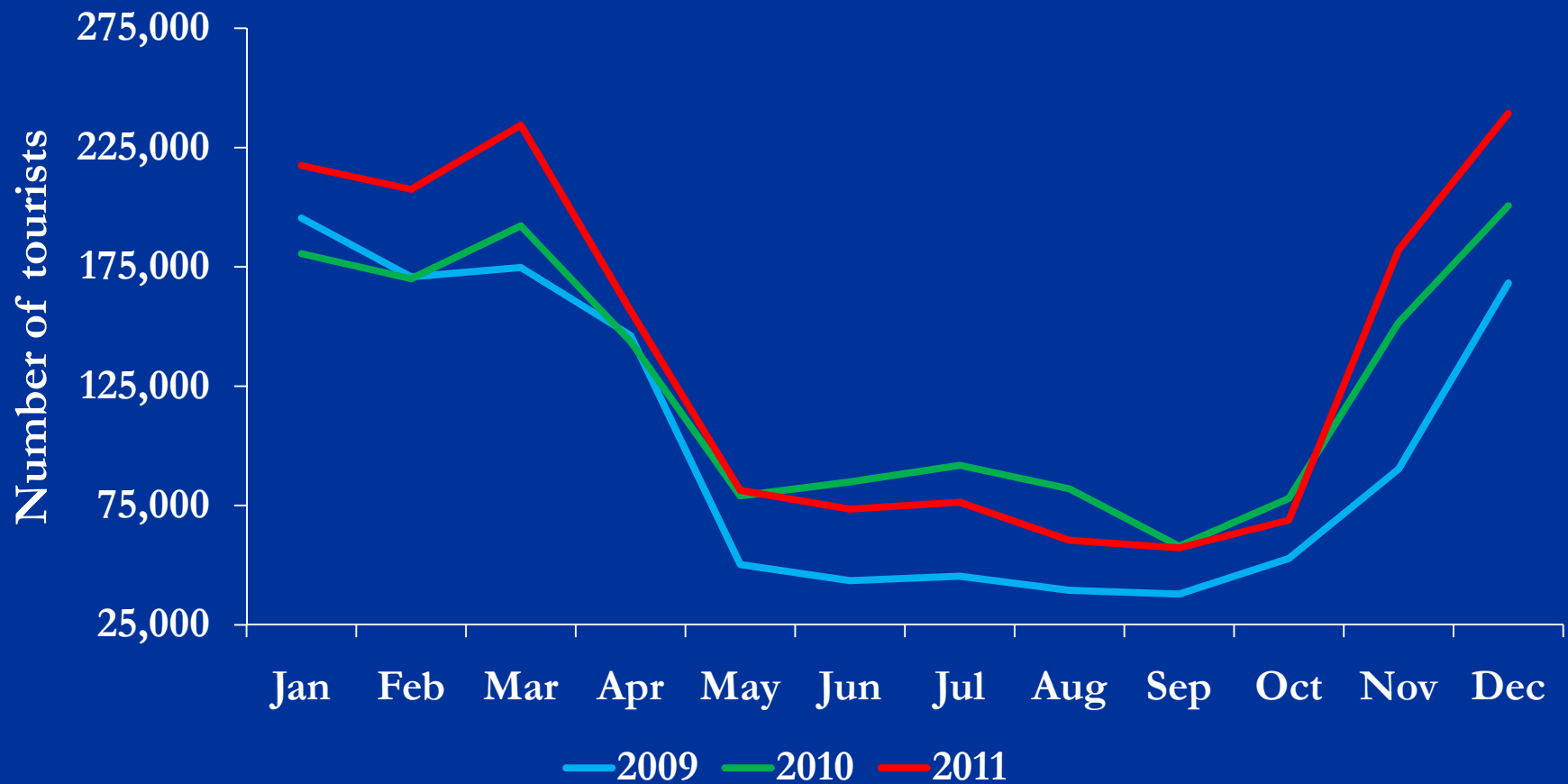
## Hotel occupancy rates





# Developments tourism sector

## Cruise tourism



# Developments in other sectors

- **Transport, storage & communication:**
  - Decline in airport-related activities
  - Increased ships into the ports and container movements
- **Construction:**
  - No major construction projects
  - Decline in mortgages extended

# Developments in other sectors

- **Wholesale and retail trade:**
  - Drop in activities reflecting decline in stay-over tourism and lower private spending
- **Financial services:**
  - Decline in net income of the domestic commercial banks

# Public sector



# **Main developments in Sint Maarten**

- The current account of the budget will be balanced in 2011.**
- On the revenues side, total proceeds from the turnover tax rose largely as a result of the increase in the turnover tax rate from 3% to 5% in February 2011.**
- Including capital expenditures, Sint Maarten will reach an overall deficit of ½ percent of GDP.**
- Public debt increased due mainly to bond issue of NAf 26 million in October 2011.**

# External sector



# Main developments

- Current account deteriorated in 2011 due to decreased net current transfers from abroad.
- In contrast, net exports of goods and services improved as the growth in exports exceeded the rise in imports.
- Capital account worsened significantly as a result of a decline in net capital transfers from abroad.
- Sharp increase in external financing.
- Developments resulted in balance of payments deficit.

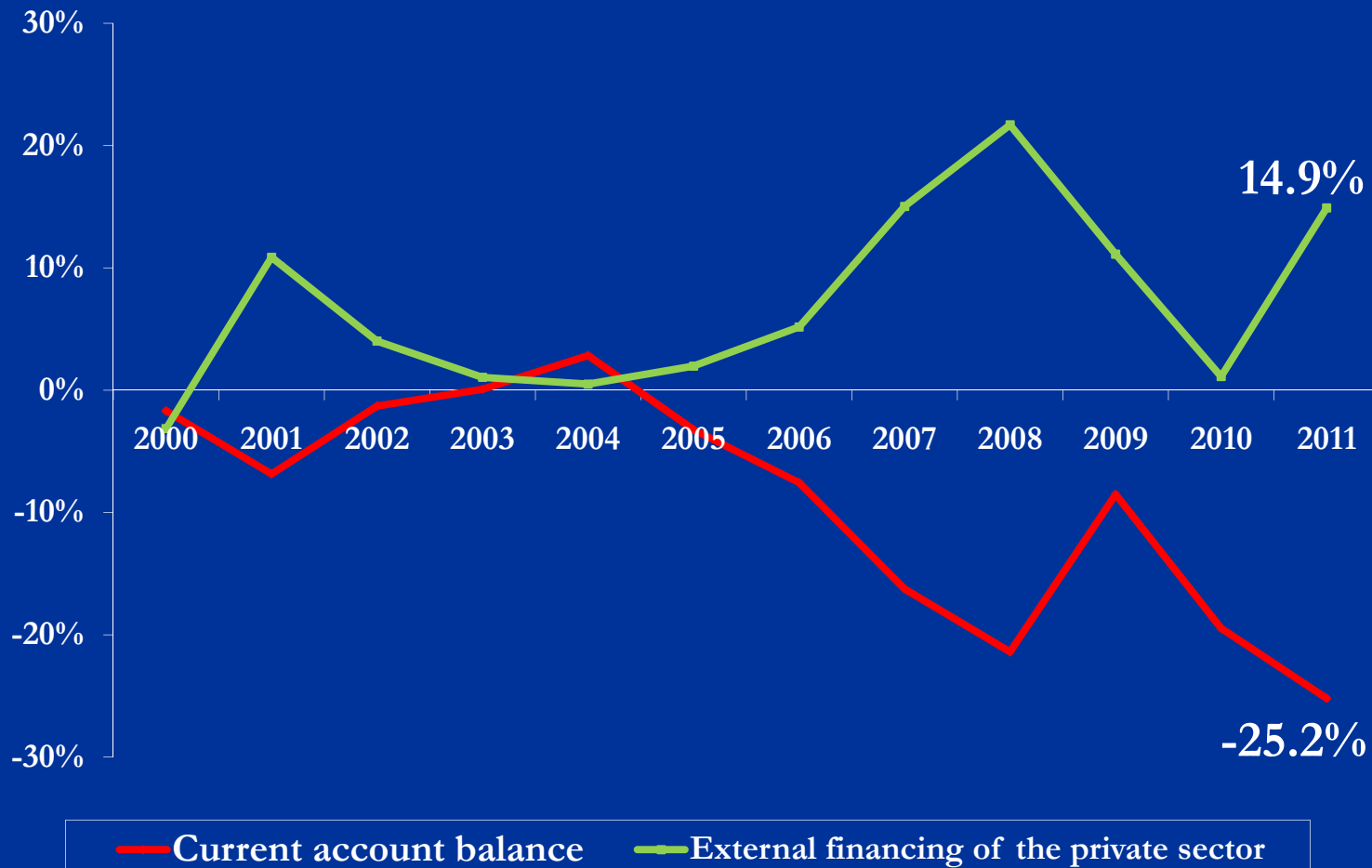
# Balance of payments

(transaction basis, NAf mln)

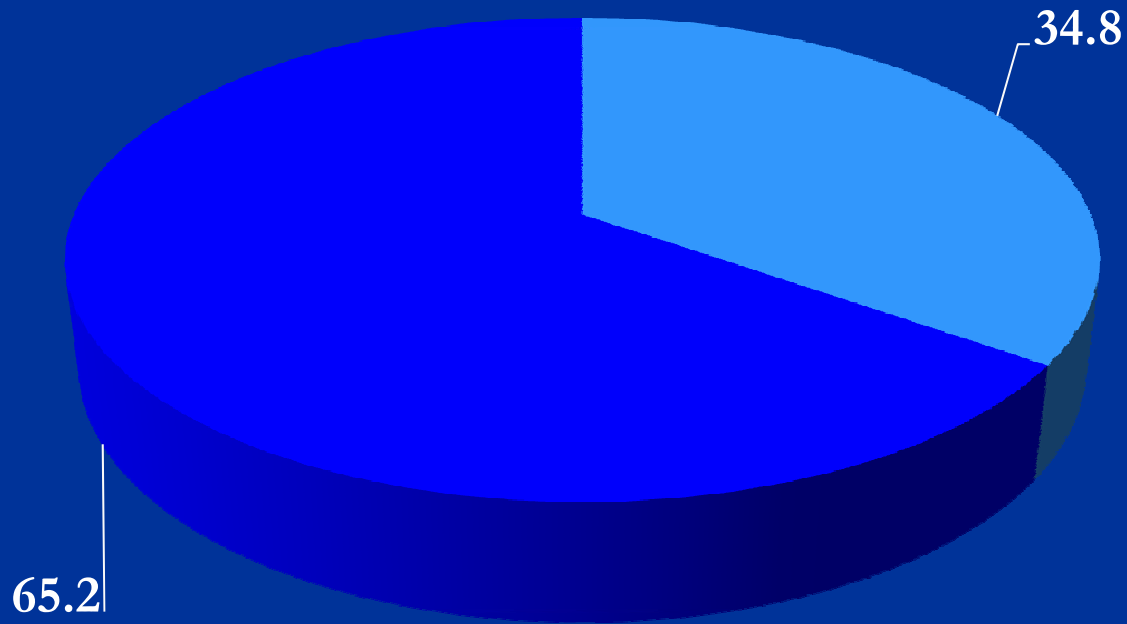
	2007	2008	2009	2010	2011*
Current account	-1,007.8	-1,513.9	-608.6	-1,429.7	-1,734.6
Capital account	218.8	244.8	200.6	1,392.8	58.0
External financing	920.3	1,532.6	794.4	81.8	1,023.9
<i>Direct investments</i>	425.1	449.0	196.4	228.7	174.4
<i>Loans and credits</i>	644.5	1,210.2	786.7	1,600.7	810.9
<i>Portfolio investments</i>	-149.3	-126.6	-188.7	-1,747.6	38.6
Change in reserves	-277.3	-371.6	-538.9	-162.4	501.2



# Balance of payments developments (in % of GDP)



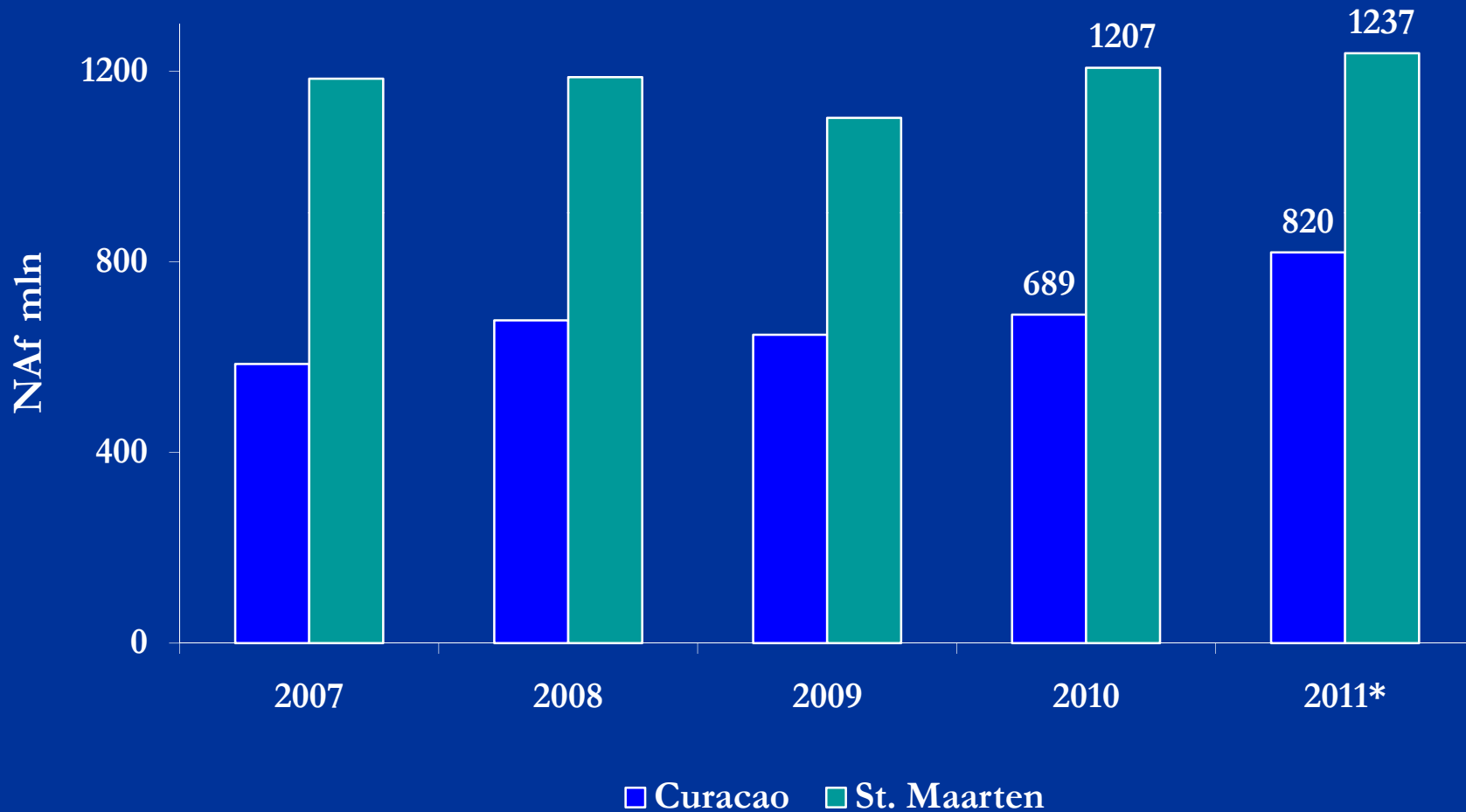
# Share in export of goods & services



■ St. Maarten ■ Curacao

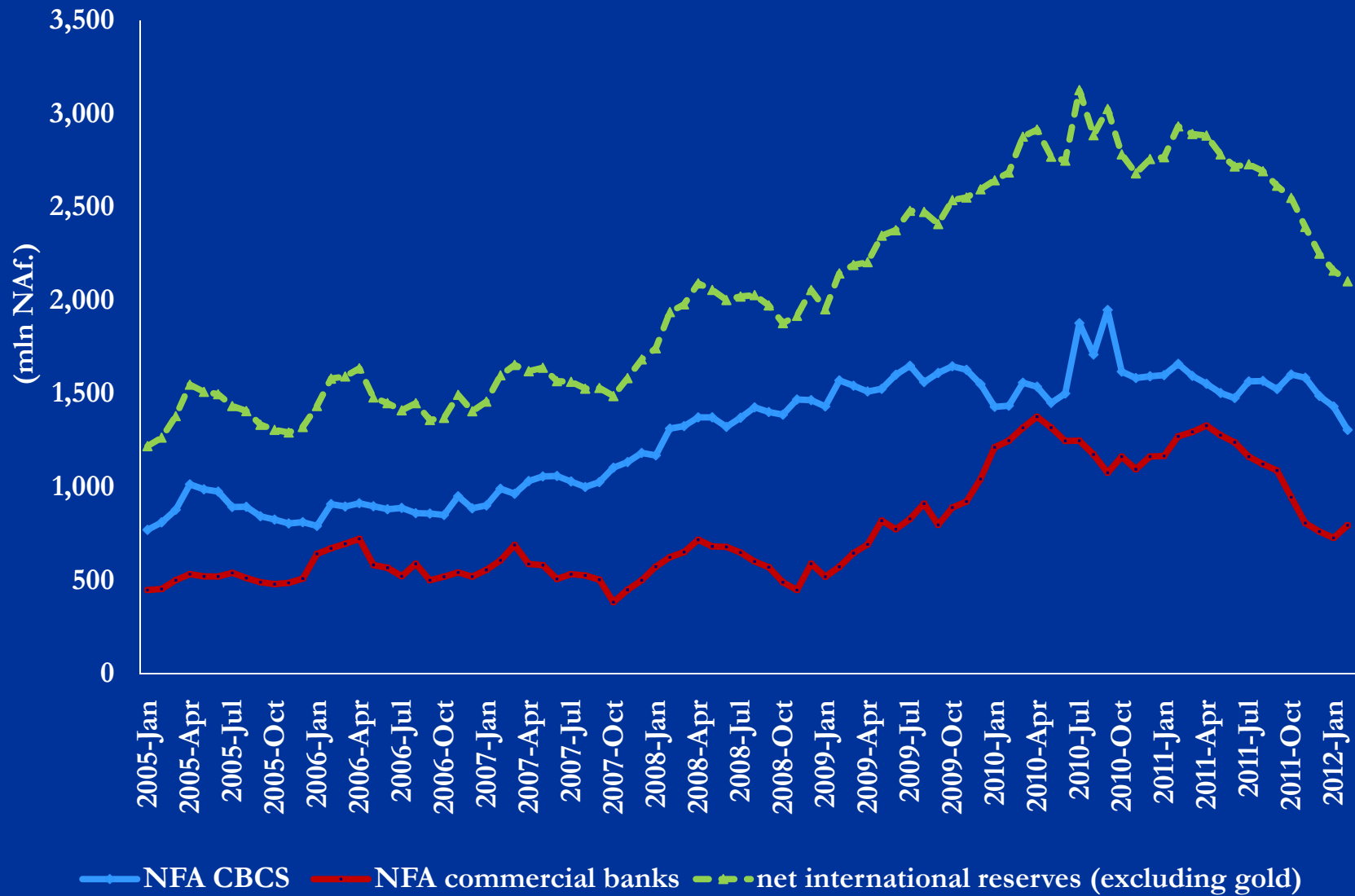
\*Average 2007 - 2010

# Tourism sector

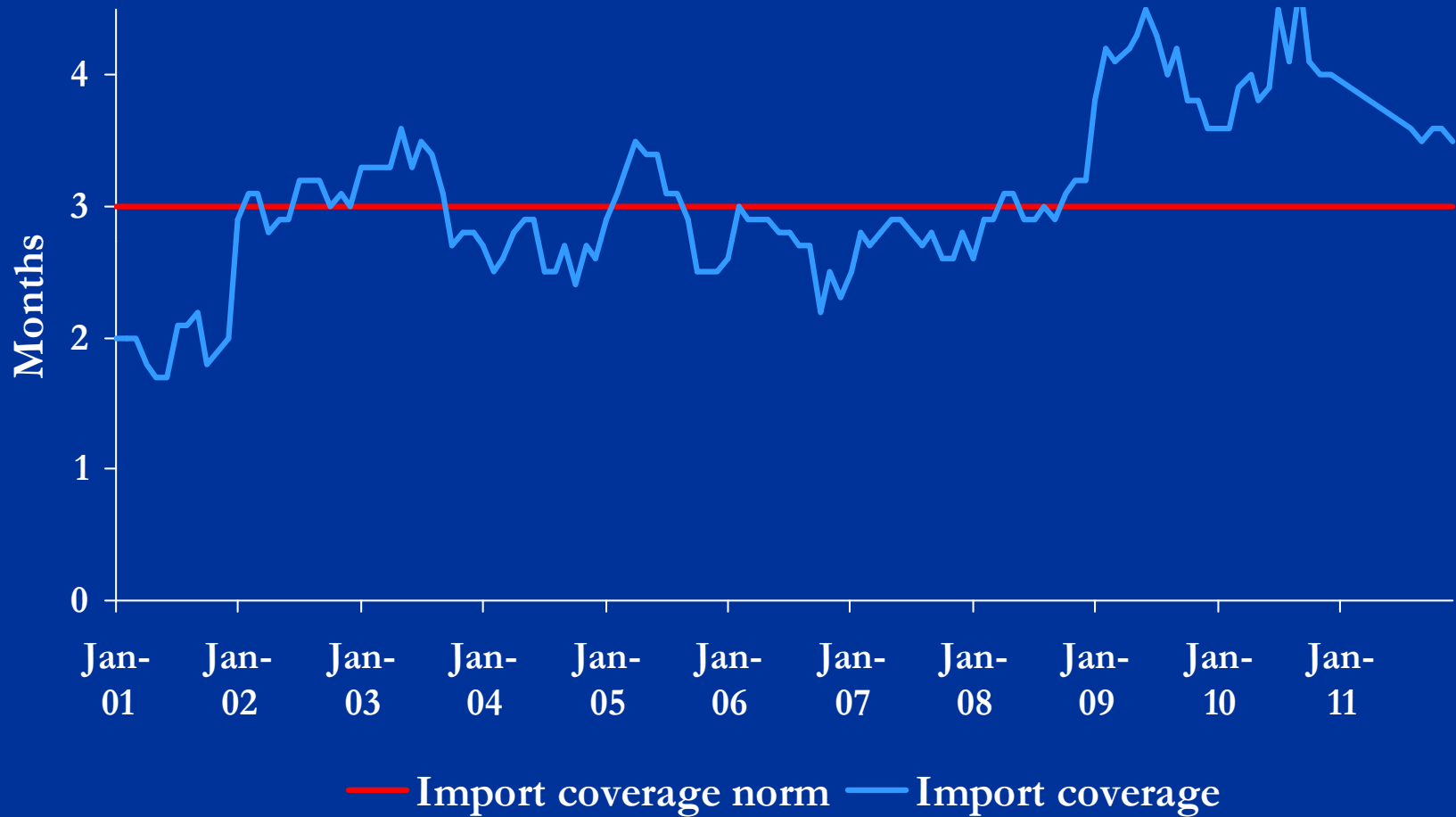


\*CBCS estimate

# International reserves



# Monthly import coverage



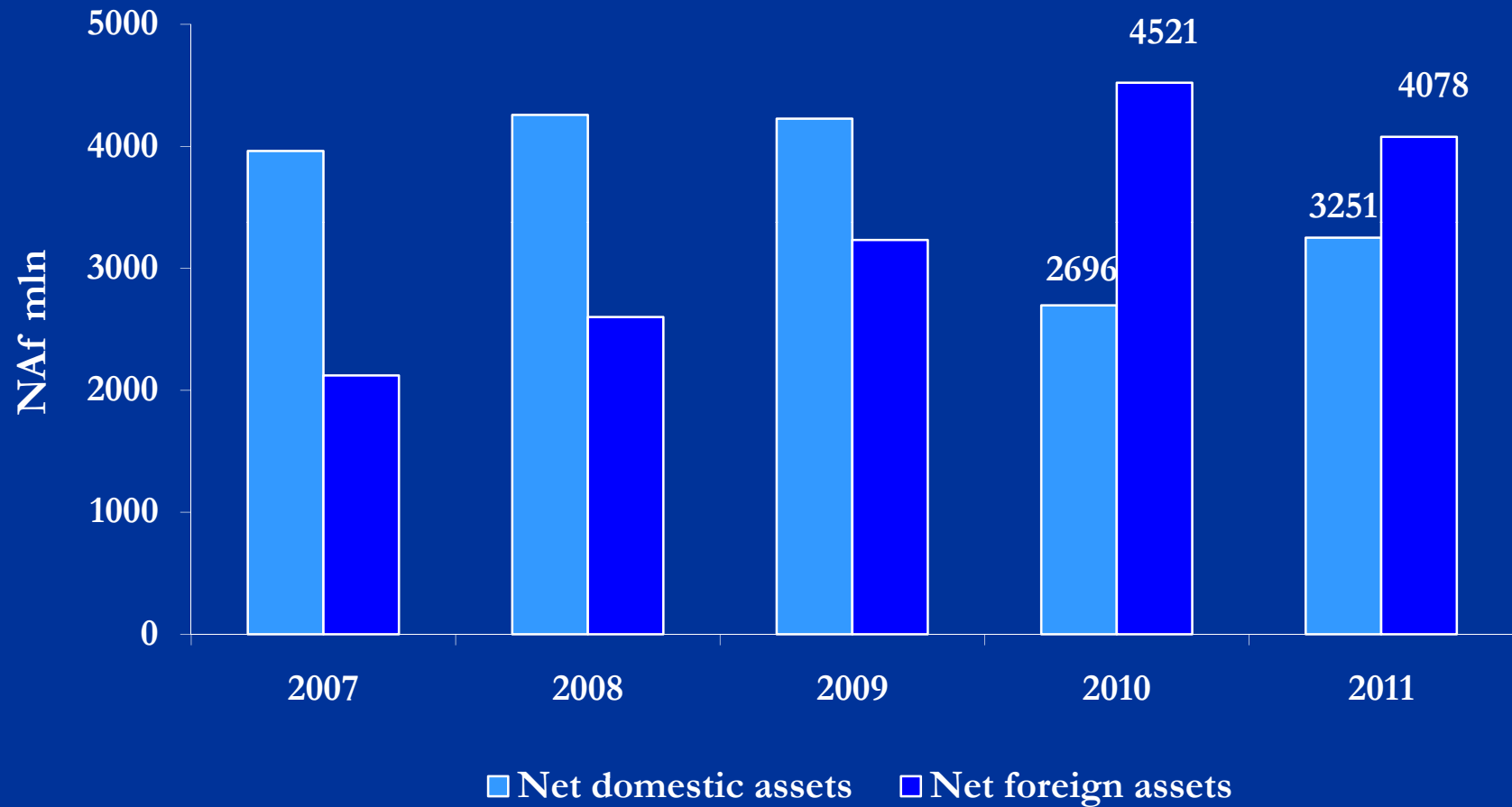
# Monetary and financial sector



# **Main monetary developments**

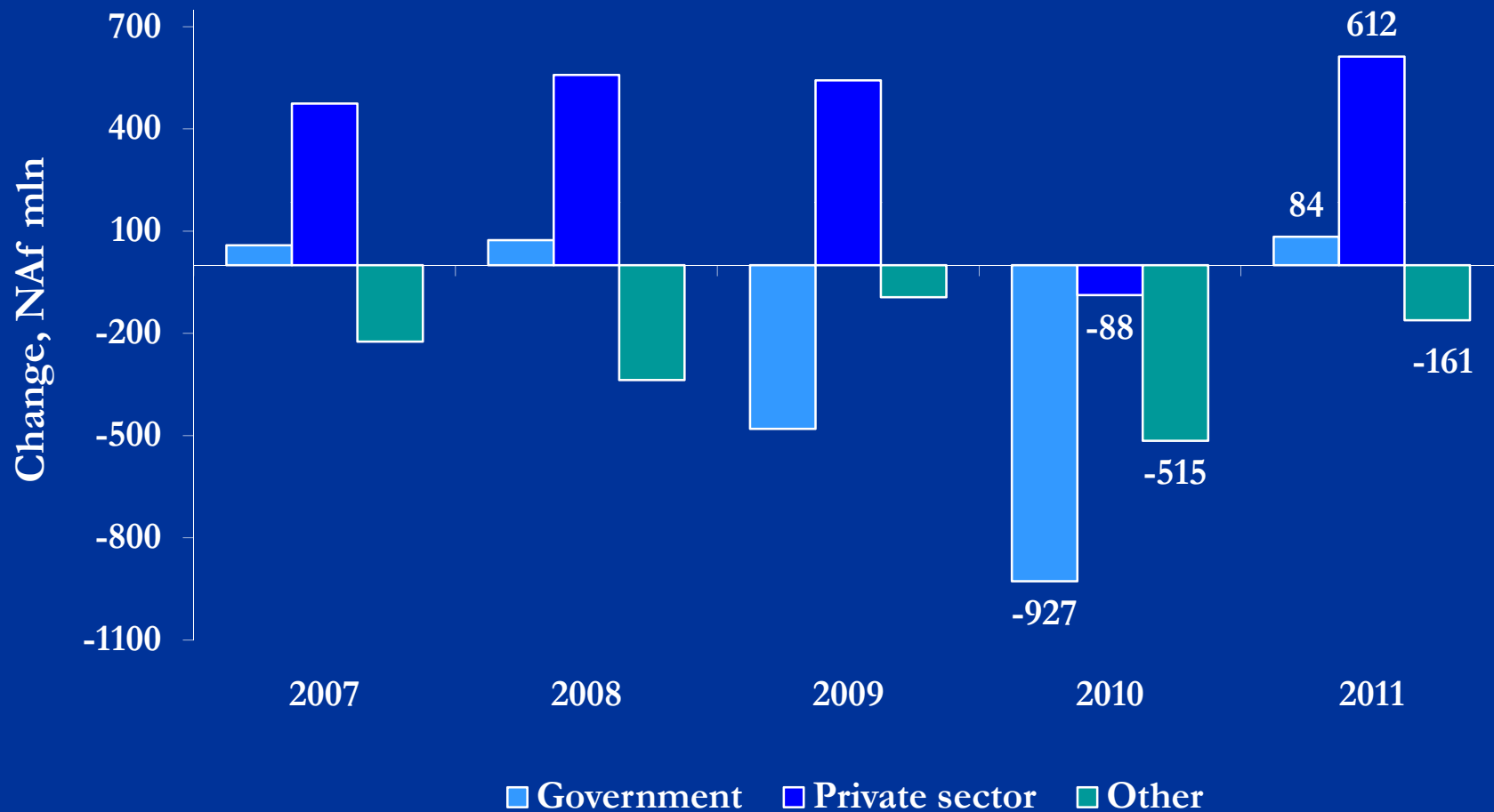
- **Slight increase in money supply.**
- **Growth in credit extension decelerated.**
- **Interest rates on government paper dropped.**
- **Declining trend in interest rates continued.**

# Money supply

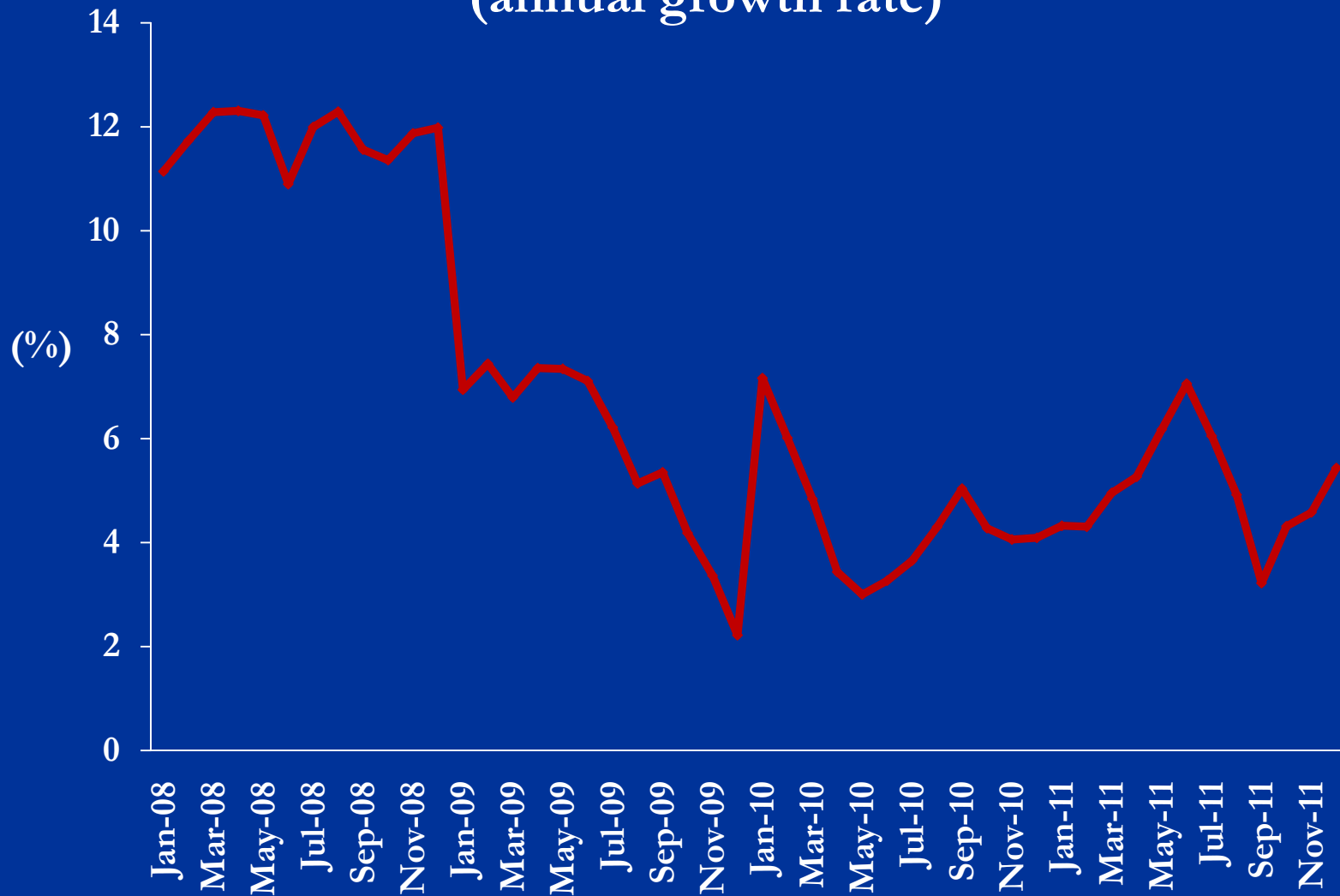




# Net domestic credit

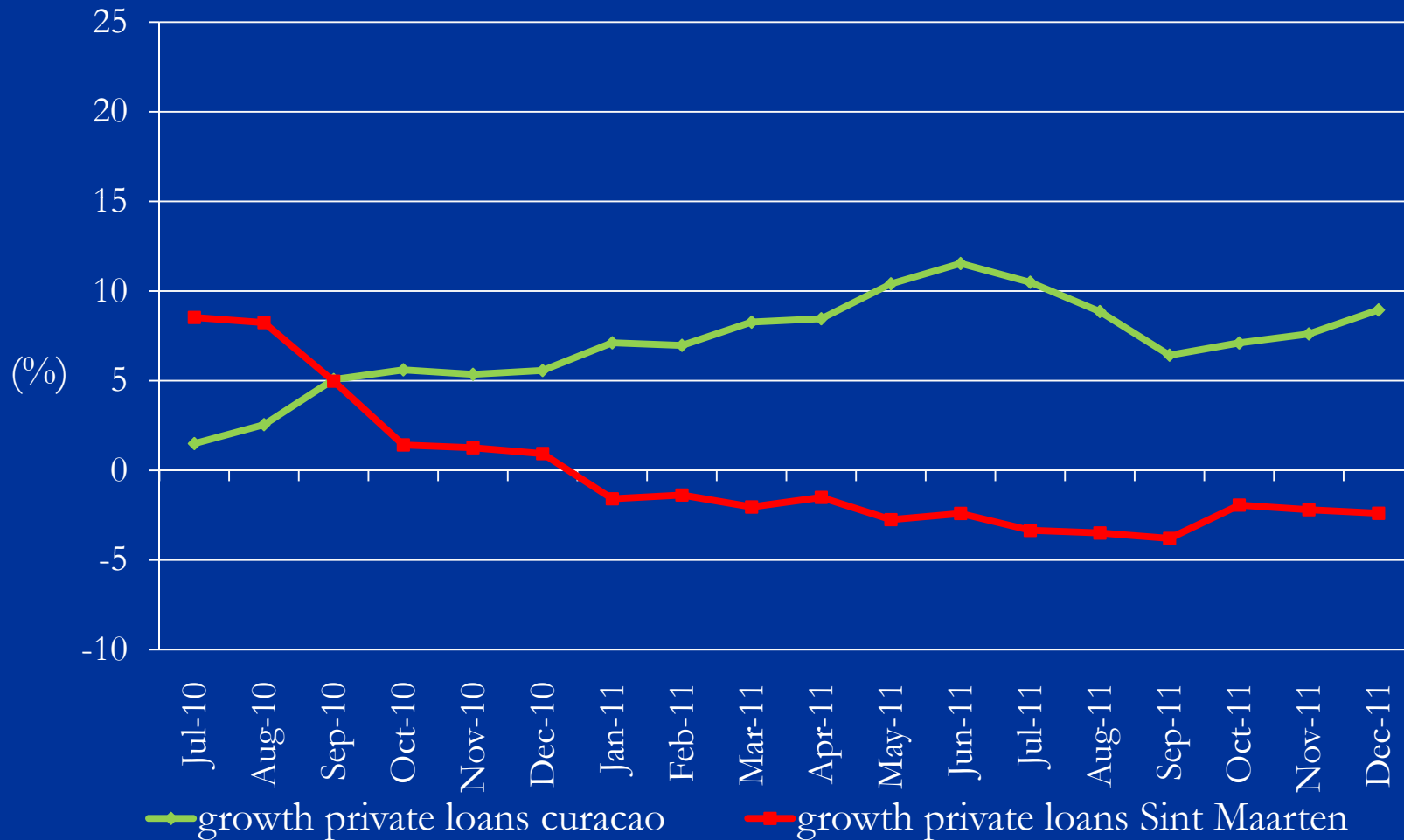


# Credit extension commercial banks (annual growth rate)

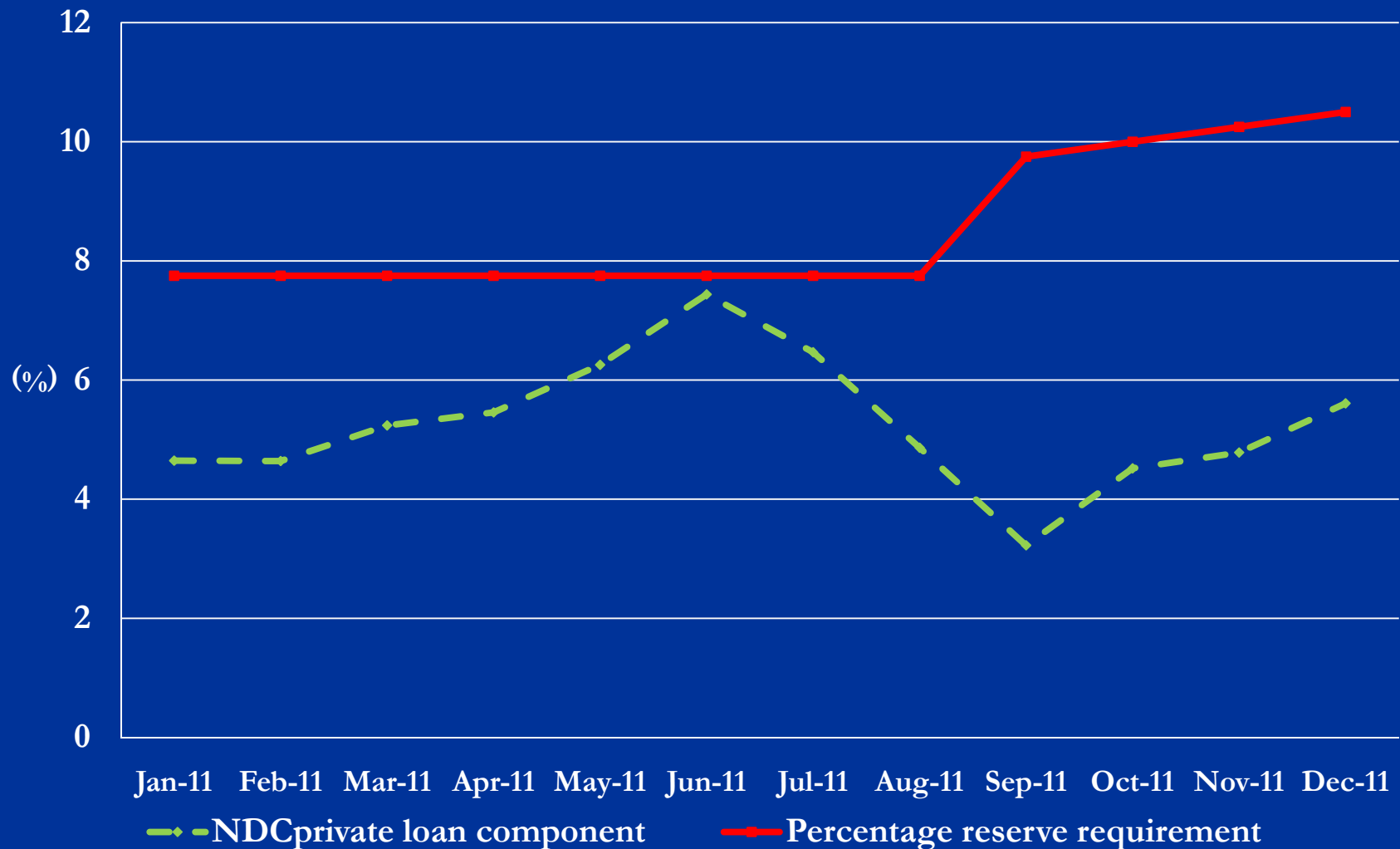


# Growth private loans Curaçao and Sint Maarten

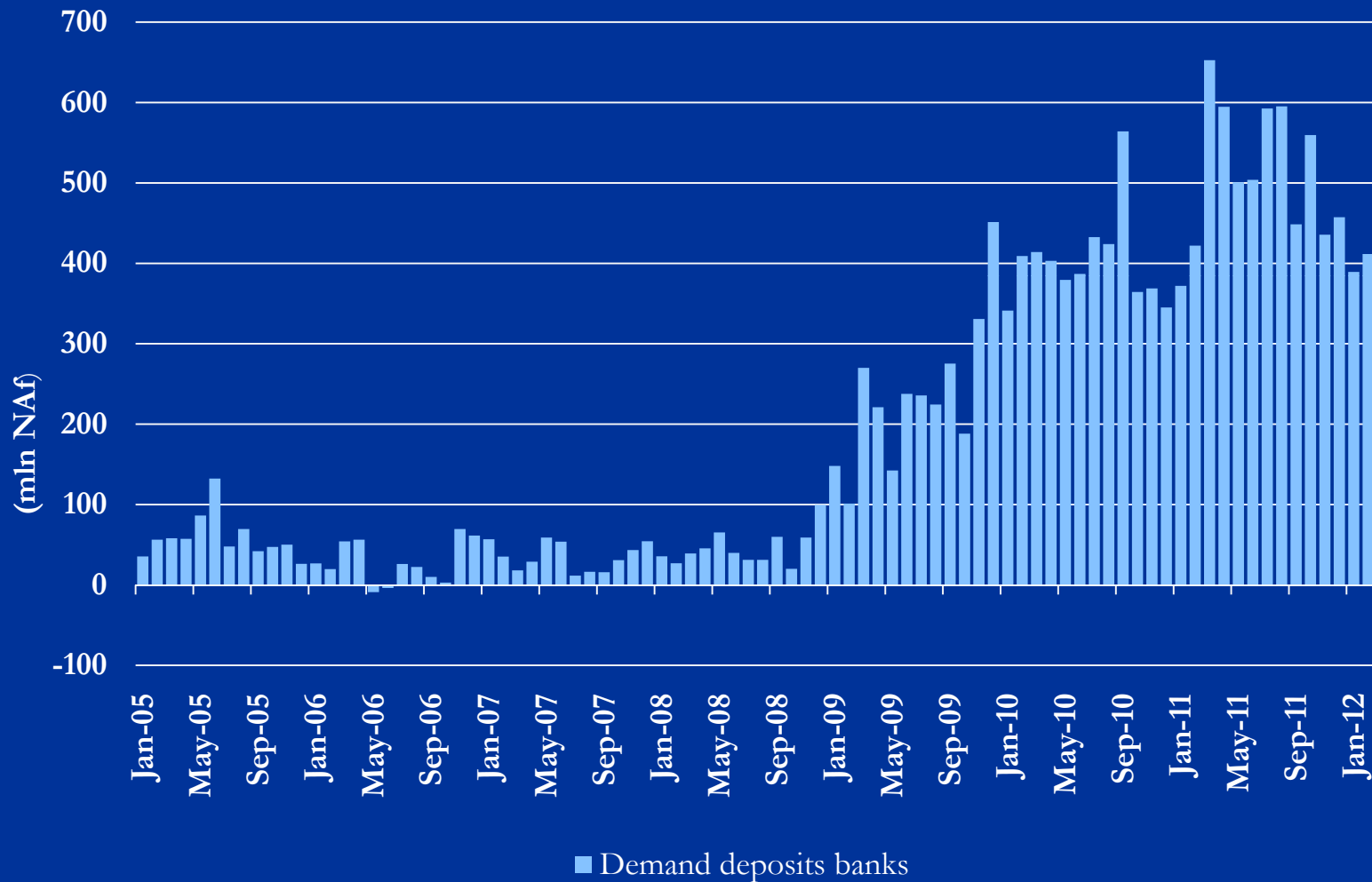
(annual growth rate)



# Credit growth / reserve requirement



# Liquidity commercial banks



# Current monetary situation

- High current account deficit balance of payments
- Foreign exchange reserves and import coverage declining
- High excess liquidity banking sector
- Credit growth not in line with economic growth

# Monetary policy

- **Reserve requirement:**
  - **October 2010 to August 2011: 7.75%.**
  - **September 2011: raised to 9.75%, then tightened further to 10.75%.**
- **Current situation: consequences of credit extension discussed with banks: moral suasion to limit credit growth. If no effect, a credit restriction will be imposed.**

# Monetary policy measures

- Increase in percentage reserve requirement
- Credit freeze for 6 months



# Outlook 2012



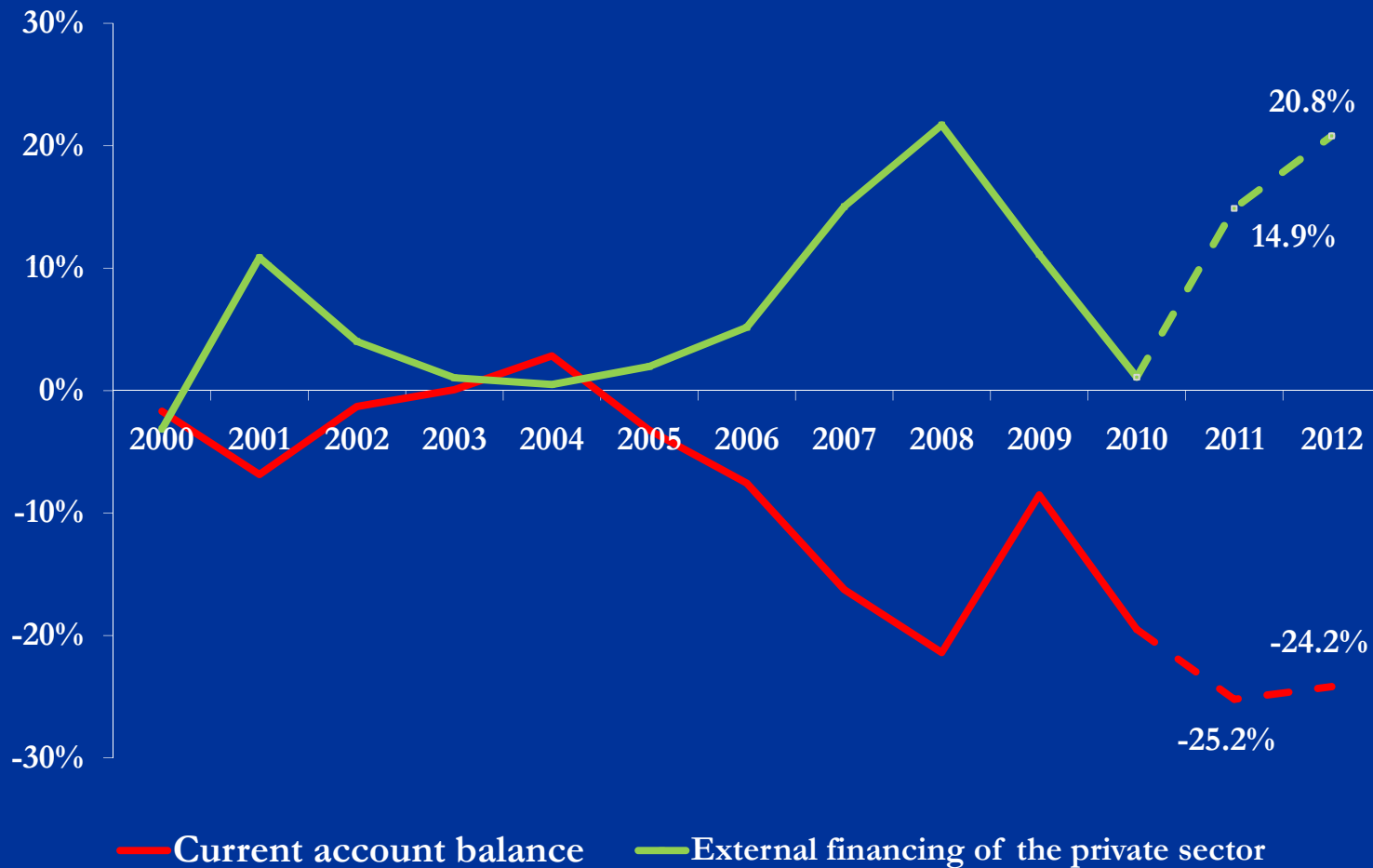
# Balance of payments

(transaction basis, NAf mln)

	2010	2011*	2012*
Current account	-1,429.7	-1,734.6	-1,714.5
Capital account	1,392.8	58.0	2.5
External financing	81.8	1,023.9	1,475.2
<i>Direct investments</i>	228.7	174.4	170.0
<i>Loans and credits</i>	1,600.7	810.9	1,225.7
<i>Portfolio investments</i>	-1,747.6	38.6	79.5
Change in reserves	-162.4	501.2	109.0

\* CBCS estimates

# Balance of payments developments (in % of GDP)



# Outlook 2012 Sint Maarten

- Real GDP of Sint Maarten is expected to remain relatively unchanged at -0.2% in 2012, related largely to:
  - (1) fewer tourism activities;
  - (2) mitigated partly by some private investment activities in the second half of 2012
- Consumer price inflation will ease to 2.0%, the result of lower world oil and food prices.

# Challenges to be addressed

- Reform of the system of taxation.
- Creation of an attractive business climate for local as well as foreign investors.
- Diversification of the economy.
- Filling of high-level vacancies in the government apparatus.
- Improving macroeconomic data.
- Development of capital market

**Thank you for your  
attention**