



Annual Report 2018

Centrale Bank van Curaçao en Sint Maarten

July 30, 2019





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Economic Developments

Real Sector





Developments in the monetary union

| | 2016 | 2017 | 2018 |
|---|----------|----------|----------|
| Current account balance (in mln NAf.) | -1,080.8 | -1,120.3 | -1,507.4 |
| Change in gross foreign reserves of the central bank (in mln NAf.)* | -187.5 | 17.6 | 274.3 |
| Change private loans (%) | 0.5 | 1.4 | 1.4 |
| Real GDP growth (%) | | | |
| Curaçao | -1.0 | -1.7 | -2.2 |
| Sint Maarten | 0.4 | -4.8 | -6.6 |
| Inflation (%) | | | |
| Curaçao | 0.0 | 1.6 | 2.6 |
| Sint Maarten | 0.1 | 2.2 | 2.7 |

*- sign means an increase



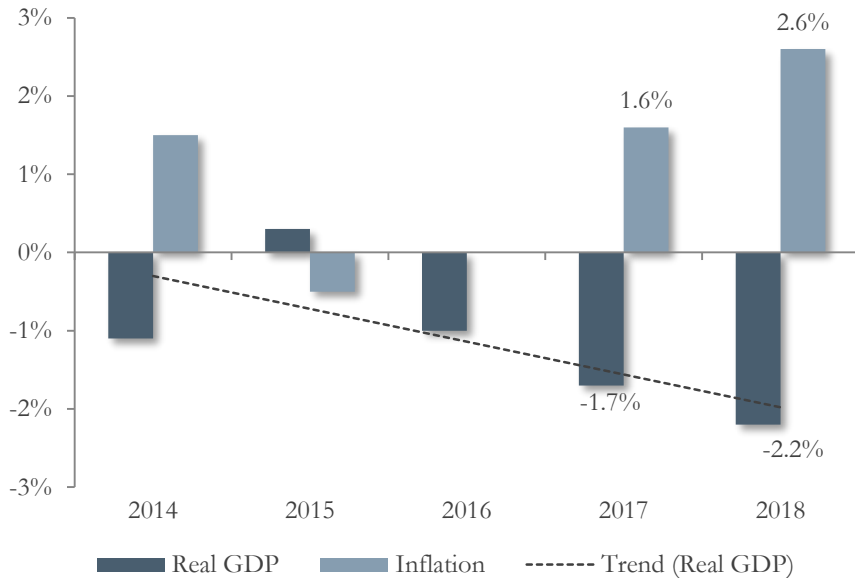
Macro-economic key figures: a comparison

| | Real GDP | | Consumer prices | | Unemployment rate | |
|---------------|--------------------|---------------------|---------------------|------------------------|-------------------|-------------------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Aruba | 2.0% | 0.9% | -0.5% | 3.6% | 8.9% | 7.3% |
| United States | 2.2% | 2.9% | 2.1% | 2.4% | 4.9% | 4.4% |
| Venezuela | -7.0% to -13.0% | -15.0% to -18.0% | 1,087% to 1,327% | 225,538% - 229,789% | 11.0% to 26.4% | 27.1% to 35.0% |
| Netherlands | 2.9% | 2.7% | 1.4% | 1.7% | 4.9% | 3.8% |



Economic development Curaçao

- I. Real GDP in Curaçao contracted by 2.2% in 2018.
- II. Inflation increased to 2.6% because of higher food and oil prices.





GDP by expenditure of Curaçao

| | 2017 | 2018 |
|---|-------------|-------------|
| Domestic expenditure, of which: | -0.4 | -1.2 |
| <i>Private sector</i> | <i>-0.2</i> | <i>-0.5</i> |
| - Investment | 0.2 | 0.1 |
| - Consumption | -0.4 | -0.6 |
| <i>Public sector</i> | <i>-0.2</i> | <i>-0.7</i> |
| - Investment | -0.3 | -0.3 |
| - Consumption | 0.1 | -0.4 |
| Changes in inventory | -0.1 | 0.2 |
| Foreign net expenditure, of which: | -1.2 | -1.2 |
| - Export of goods and services | -0.9 | 0.2 |
| - Import of goods and services | 0.3 | 1.4 |
| Real GDP by expenditure | -1.7 | -2.2 |

Source: CBCS estimates; real percentage changes.

Sectoral performance in Curaçao in 2018

- I. Decline in wholesale & retail trade sector
 - Decline in domestic demand and free-zone activities.
 - Increase in tourism spending.
- II. Decline in manufacturing sector:
 - Decline in refining activities.
 - Increase in ship-repair activities.
- III. Decline in transport, storage & communication sector:
 - Fewer activities at the harbor.
 - Slight increase in activities at the airport.



Sectoral performance in Curaçao in 2018 (cont.)

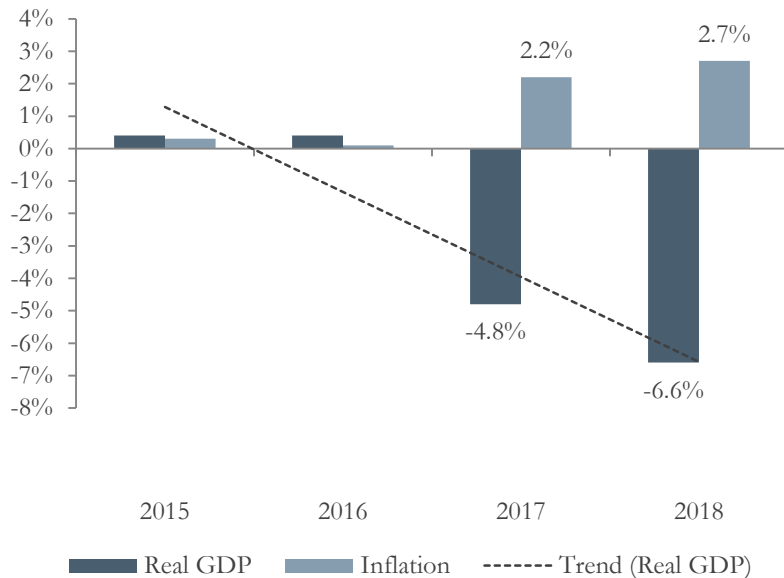
- IV. Growth in financial intermediation sector:
- Increase in domestic and international financial services.
- V. Increase in restaurants & hotels sector:
- Increase in stay-over tourism.
 - Increase in cruise tourism.
- VI. Growth in utilities sector:
- Increase in water production.
 - Decrease in electricity production.
- VII. Zero-growth construction sector:
- Increase private investments in construction projects.
 - Decline in maintenance activities at the Isla refinery.





Economic development Sint Maarten

- I. Real GDP shrank by 6.6% in 2018.
- II. Consumer price inflation increased in 2018 due to higher prices of consumer goods, construction materials and insurance premiums.





GDP by expenditure of Sint Maarten

| | 2017 | 2018 |
|---|-------------|-------------|
| Domestic expenditure, of which: | -0.4 | -0.2 |
| <i>Private sector</i> | -0.2 | 1.9 |
| - Investment | 0.3 | 2.4 |
| - Consumption | -0.5 | -0.5 |
| <i>Public sector</i> | -0.2 | -2.1 |
| - Investment | -0.9 | -0.4 |
| - Consumption | 0.7 | -1.7 |
| Changes in inventory | -0.9 | 0.7 |
| Foreign net expenditure, of which: | -3.4 | -7.1 |
| - Export of goods and services | -8.1 | -4.0 |
| - Import of goods and services | -4.7 | 3.1 |
| Real GDP by expenditure | -4.8 | -6.6 |

Source: CBCS estimates; real percentage changes.



Sectoral performance in Sint Maarten in 2018

- I. Accelerated decline in the wholesale & retail trade sector:
 - Contraction in both domestic consumption and tourism spending.
- II. Deeper contraction in the restaurants & hotels sector:
 - Stay-over tourism plummeted, mitigated by cruise tourism rebound.
- III. Accelerated contraction in utilities sector:
 - Sharp decrease in electricity and water production.



Sectoral performance in Sint Maarten in 2018 (cont.)

- IV. Further contraction in transport, storage & communication sector:
 - Deep contraction in airport-related activities.
 - Contraction in harbor-related activities.
- V. Decline in financial intermediation sector.
- VI. Accelerated growth in construction sector:
 - Increased private investments.
 - Reconstruction and repair activities.
- VII. Slower growth in manufacturing sector.





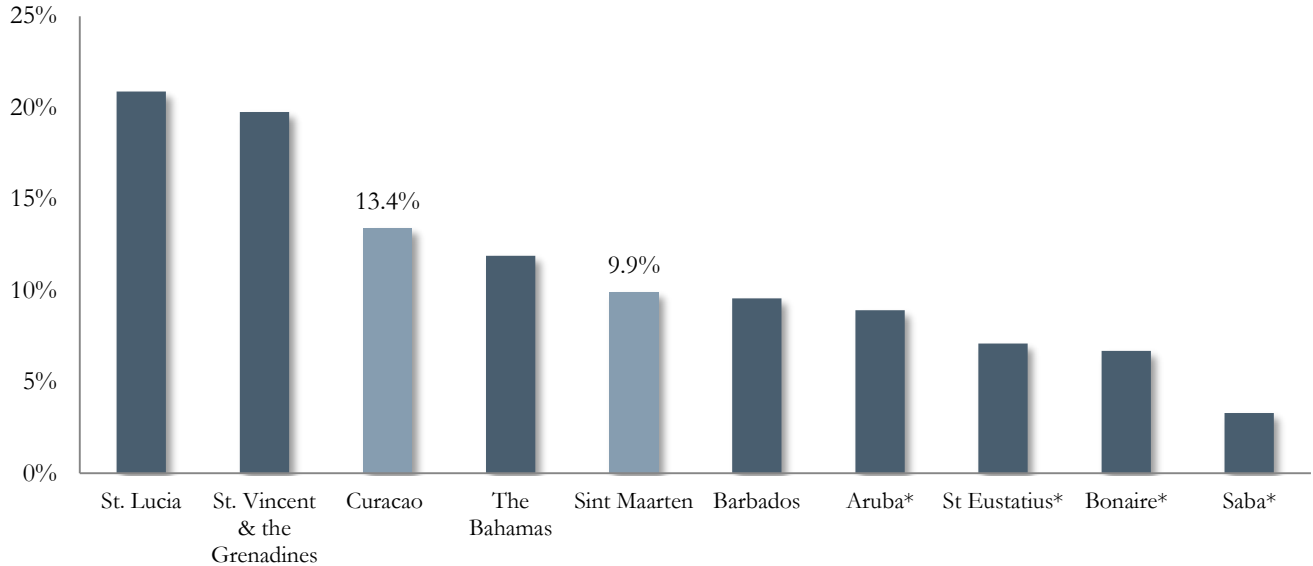
Economic Developments

Labor market





Unemployment rate



Sources : IMF, Worldbank, ILO, STAT Sint Maarten, CBS Curaçao and CBS NL, Bonaire office.

*Aruba data refer to 2017, *BES islands data refer to 2016



Economic Developments

Public Sector





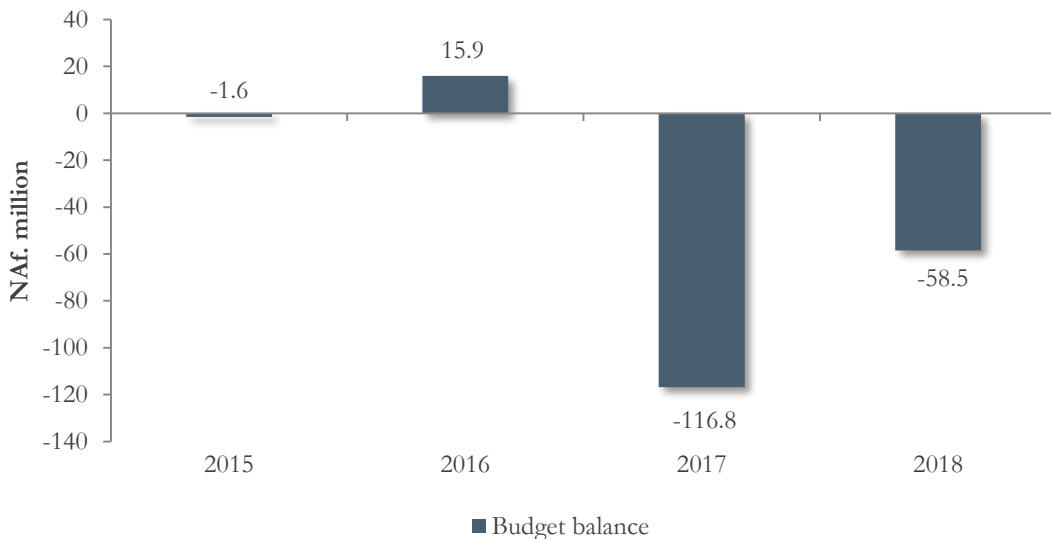
Main developments Curaçao



- I. According to the Financial Management Report of May 2019, the government of Curaçao improved its current budget by Naf.58.3 million compared to 2017, by recording a budget deficit of Naf.58.5 million.
- II. The debt-to-GDP ratio rose to 52.8% due mainly to an increase in the arrears towards the social security bank, SVB.



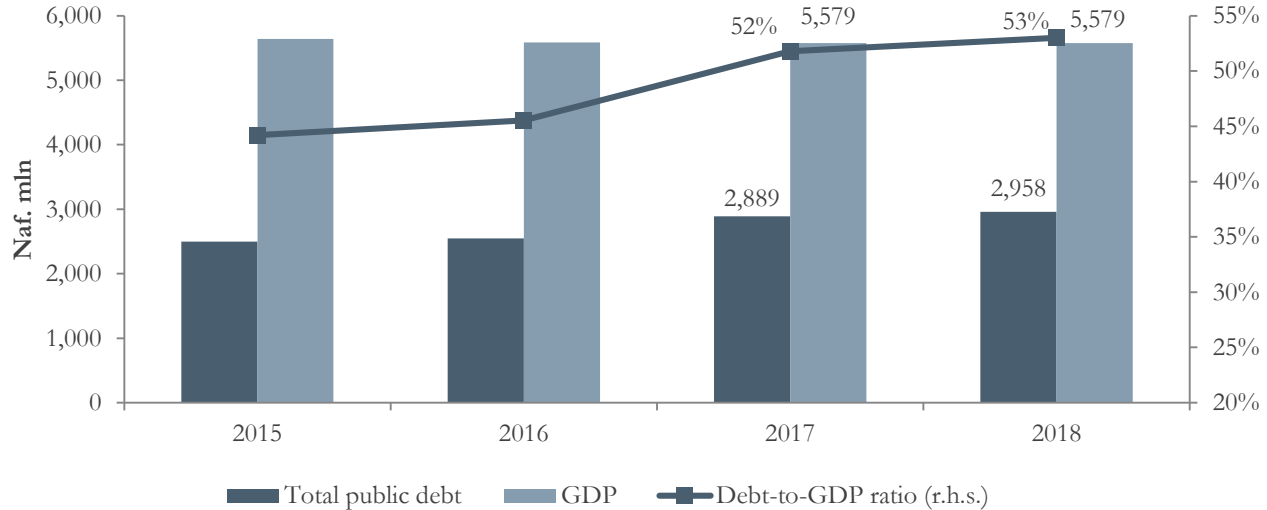
Budget development Curaçao



*2018 figures based on the *Financiële Management Rapportage* of the government of Curaçao of December 2018.



Public debt and GDP: Curaçao





Main developments

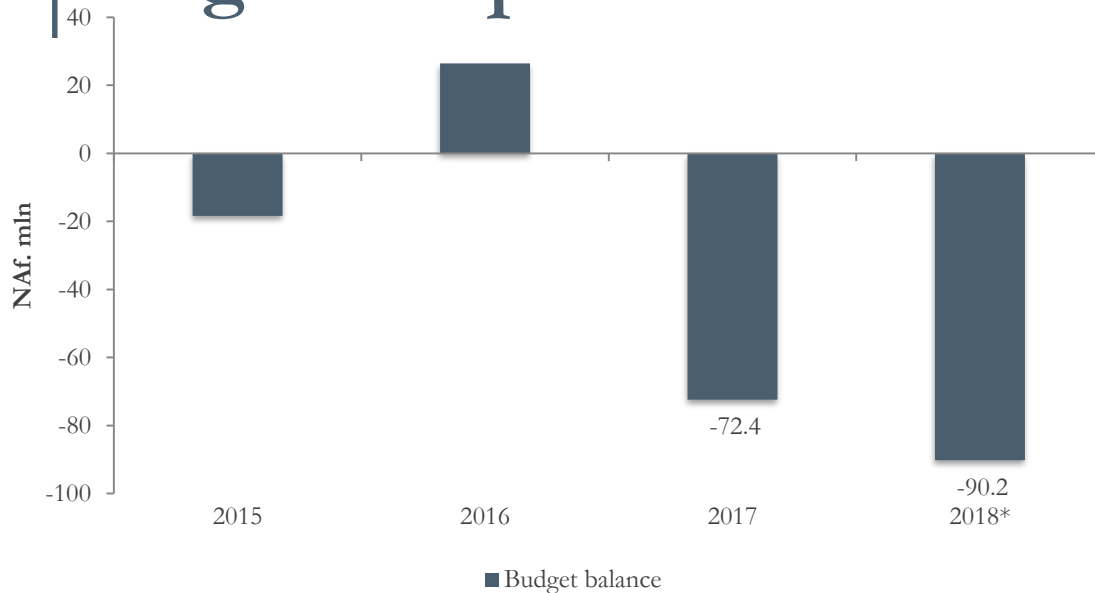
Sint Maarten



- I. Sint Maarten's fiscal position deteriorated further by NAf.17.8 million in 2018 compared to 2017, reaching a current budget deficit of NAf.90.2 million.
- II. The government received a total amount of NAf.82.6 million for liquidity support during 2018 in the form of two zero-interest loans, both with maturities of 30 years.



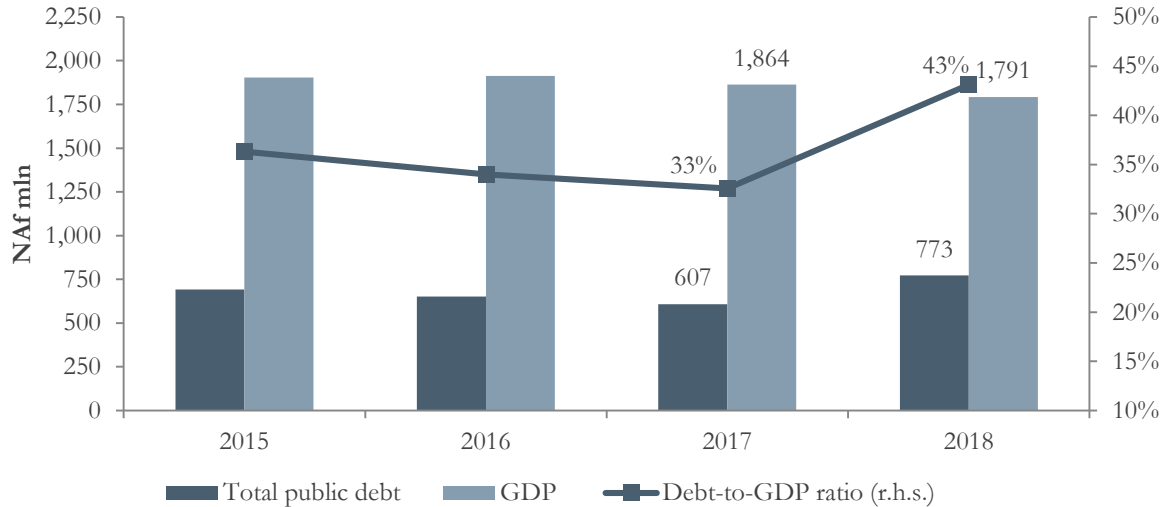
Budget development Sint Maarten



* Source: *Voorlopige Financiële Concernrapportage/Uitvoeringsrapportage, vierde kwartaal 2018* of the government of Sint Maarten.



Public debt and GDP: Sint Maarten





Economic Developments

External Sector



Main developments 2018

- I. Widened current account deficit.
- II. External financing rose, albeit at a slower pace than in 2017.
- III. As the external financing and capital transfers were not sufficient to cover the current account deficit, gross official reserves dropped.



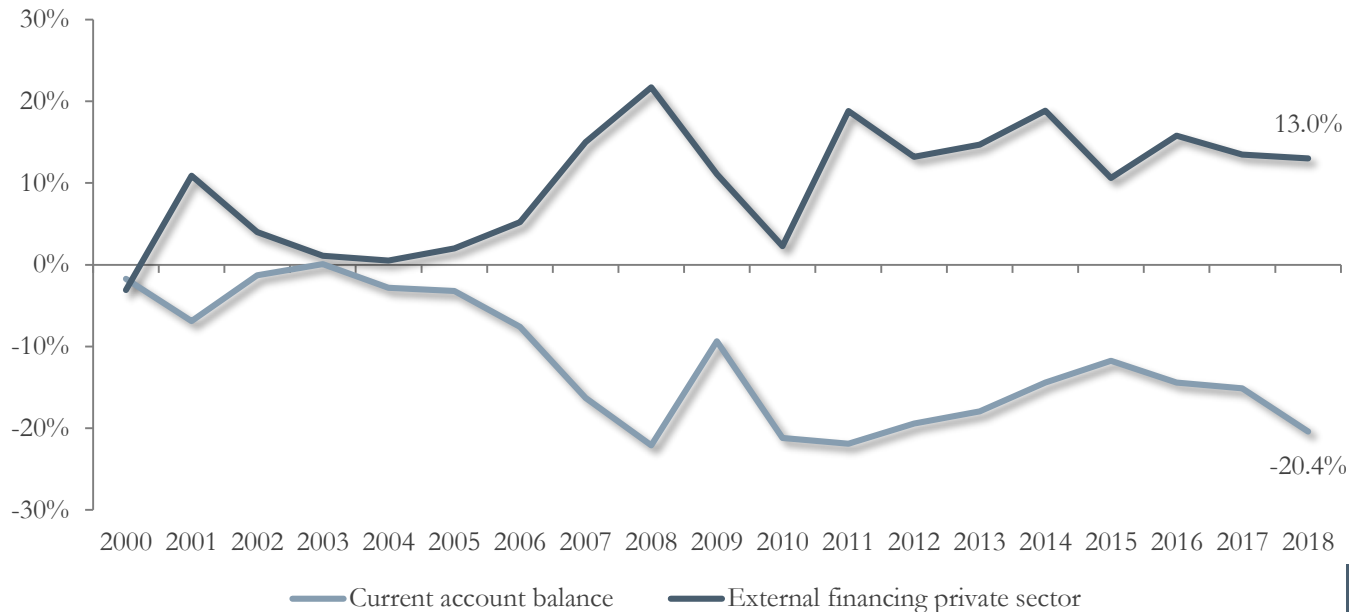
Balance of payments

(transaction basis, NAf. mln)

| | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------|----------|-----------|----------|
| Current account | -887.4 | -1,080.8 | - 1,120.3 | -1,507.4 |
| Capital account | -7.1 | 3.0 | -2.7 | 33.6 |
| External financing | 804.2 | 1,183.8 | 1,004.5 | 962.7 |
| Direct investment | 278.3 | 241.0 | 628.8 | -191.9 |
| Portfolio investment | 588.2 | 373.2 | 323.1 | 340.1 |
| Loans & credits | -62.4 | 569.7 | 52.7 | 814.5 |
| Change in reserves | -27.8 | -187.5 | 17.6 | 274.3 |

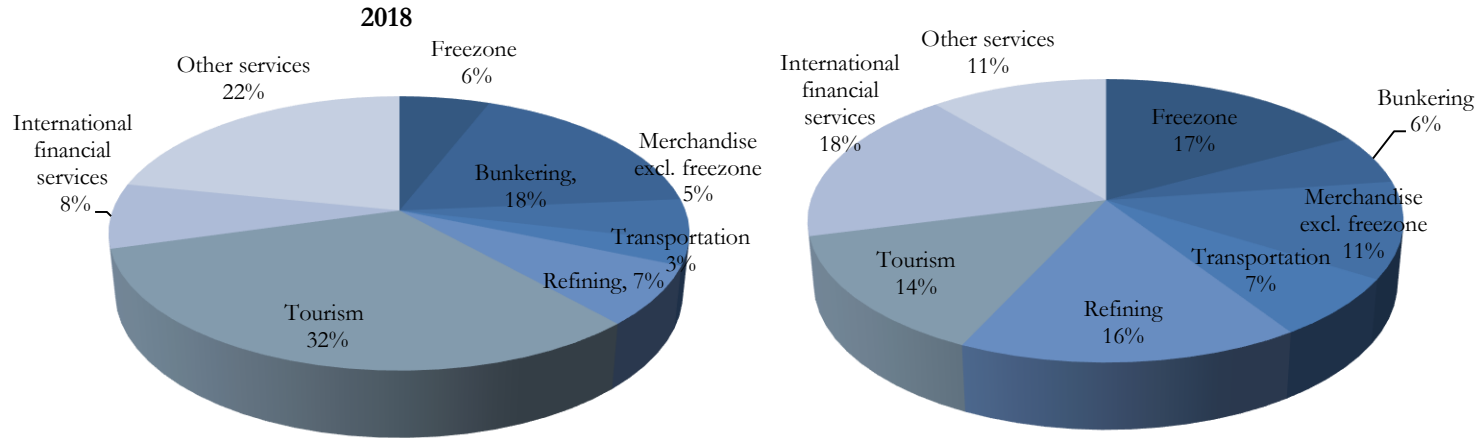


Balance of payments developments (in % of GDP)





Contribution to foreign exchange income* in 2000 and 2018 (Curaçao)

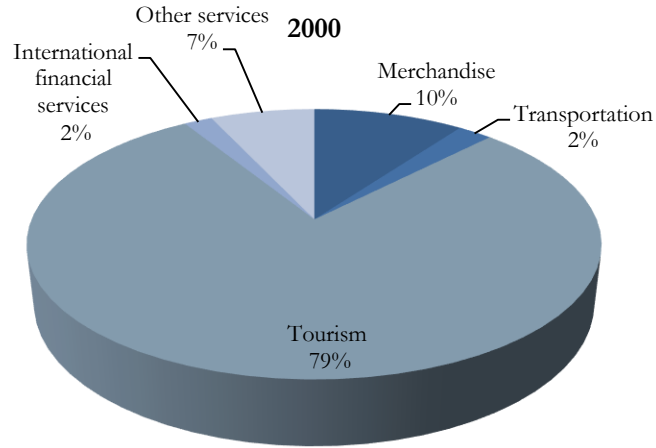
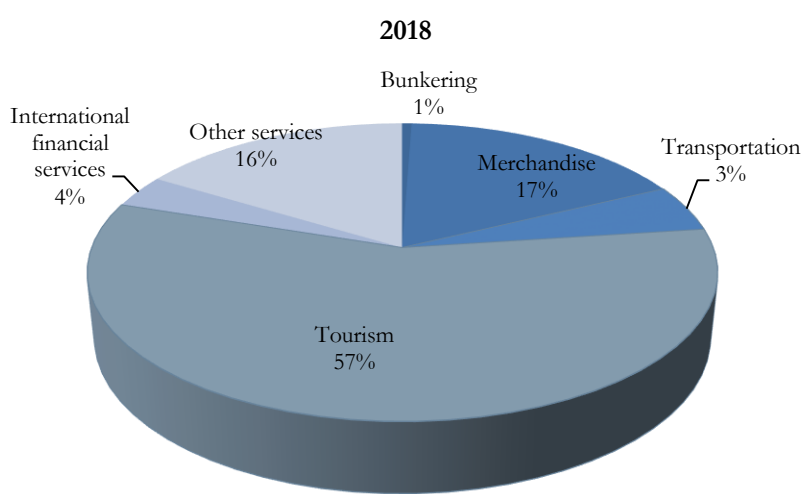


*Income from the export of goods and services.



Contribution to foreign exchange income* in 2000 and 2018

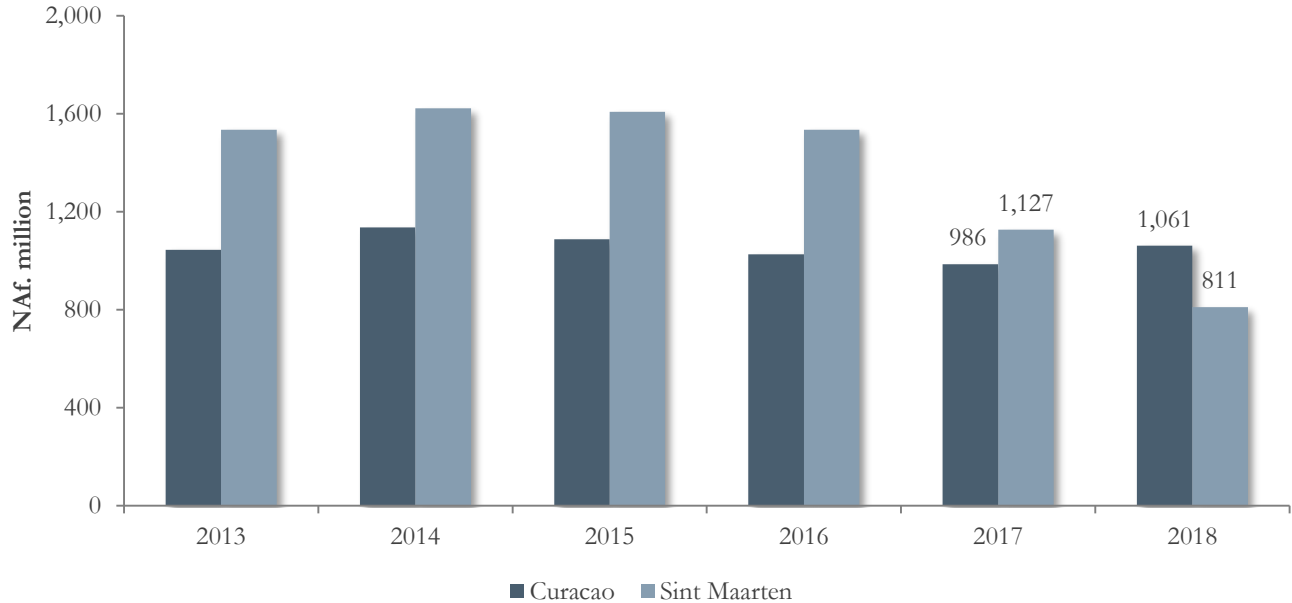
(Sint Maarten)



*Income from the export of goods and services.

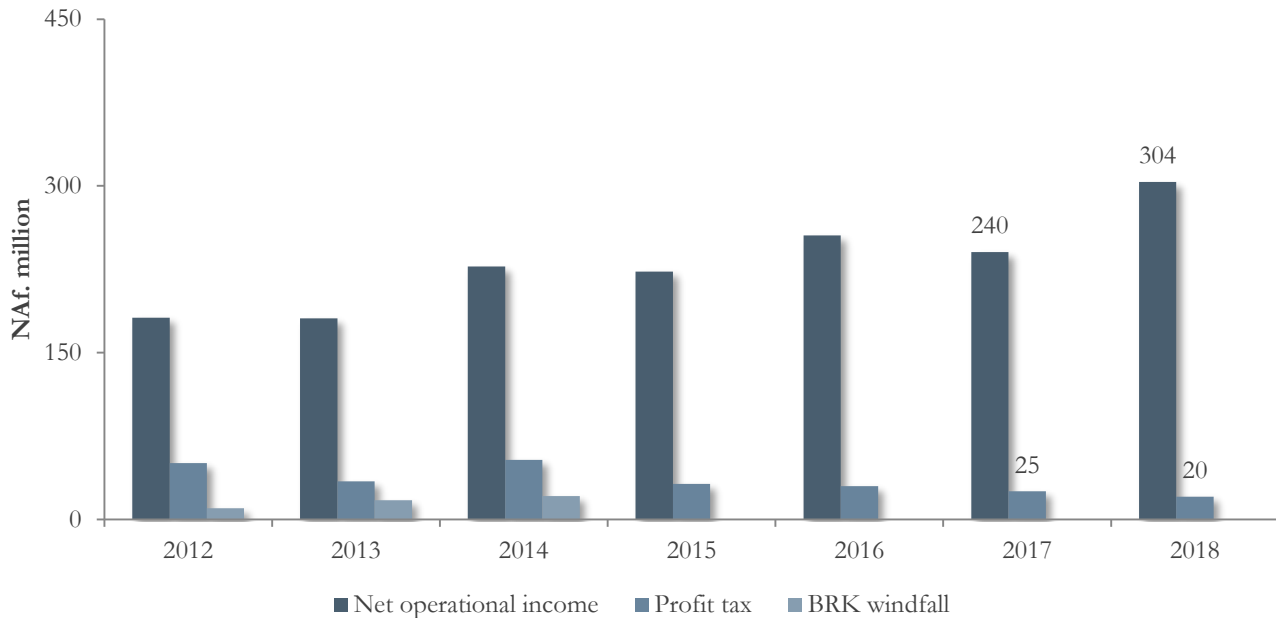


Tourism sector



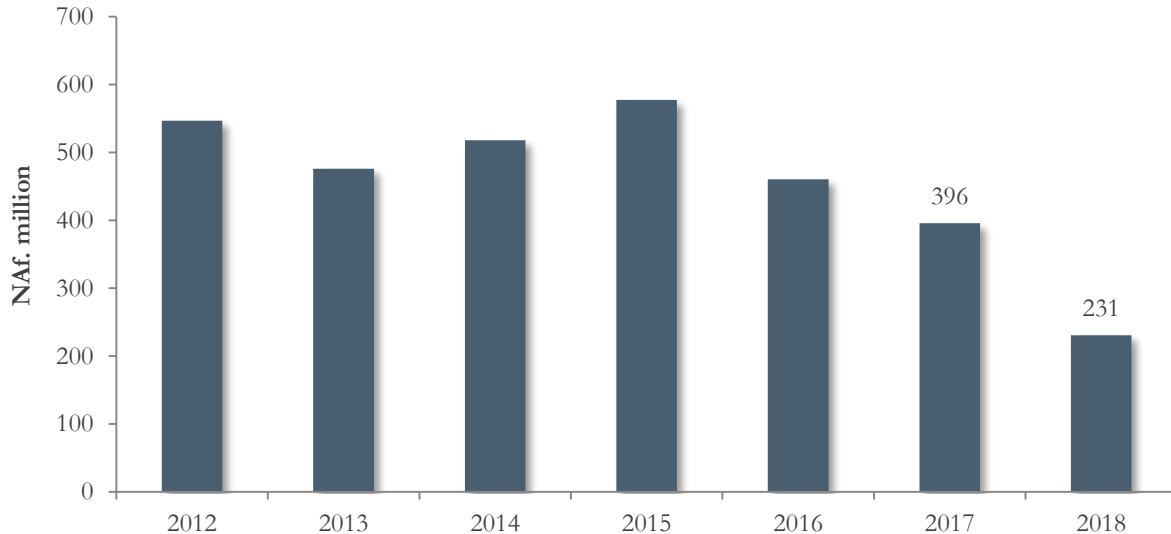


International financial sector



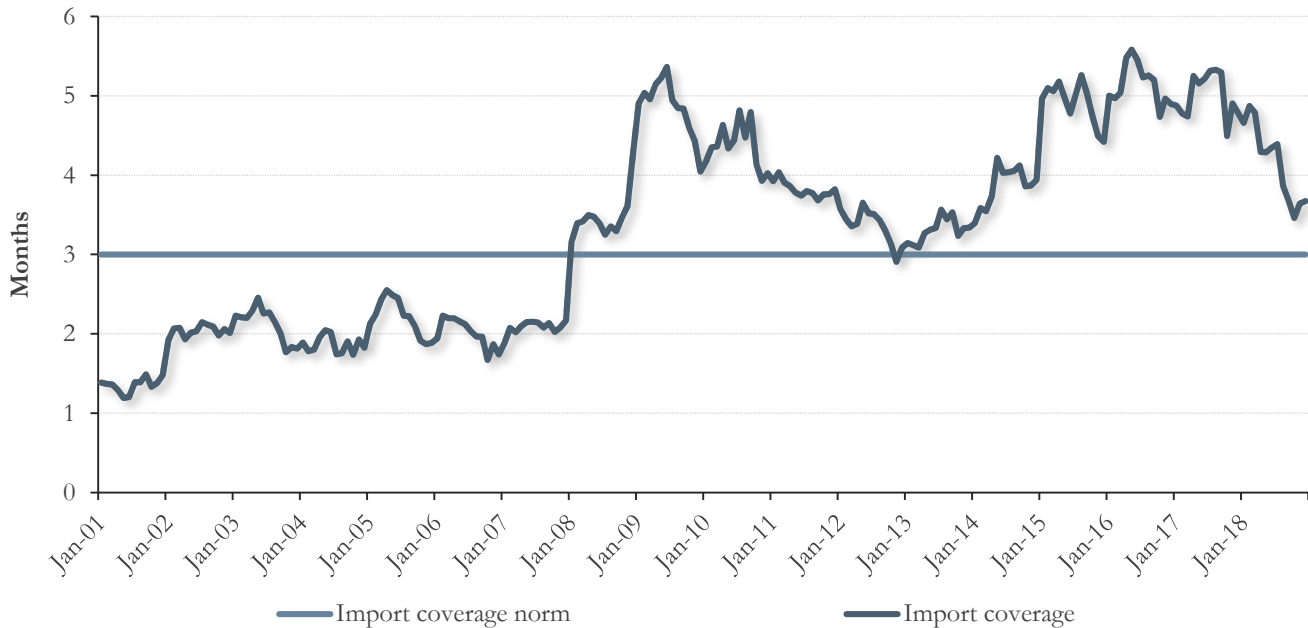


Refining fee (Curaçao)





Monthly import coverage





Monetary Developments

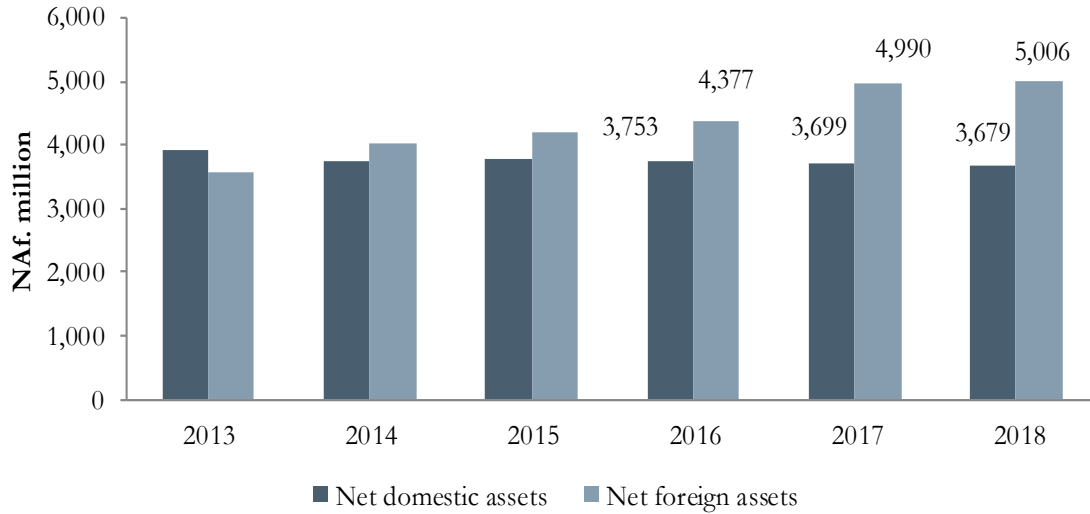


Main monetary developments

- I. Money supply remained in 2018 at almost the same level as in 2017.
- II. Slight increase in net foreign assets moderated by a decline in net domestic assets.
- III. Moderate increase in loans to the private sector.

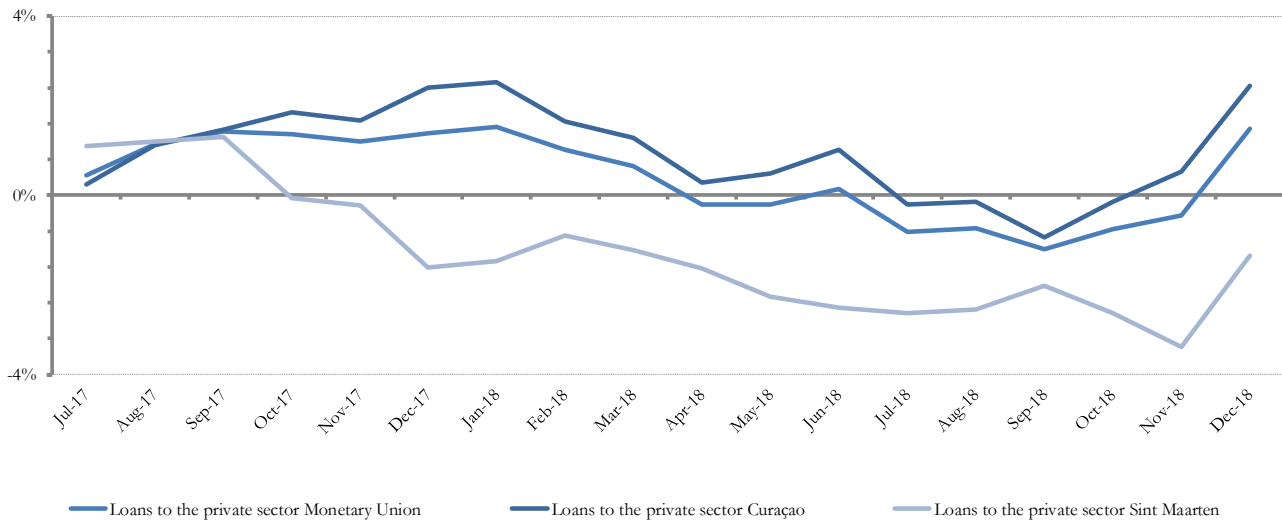


Money supply





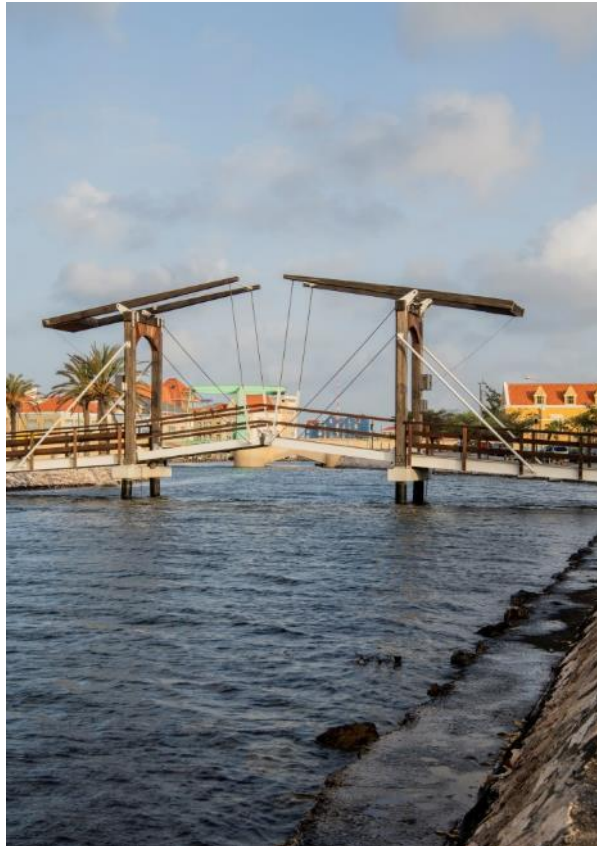
Private credit extension (year-on-year growth)





Monetary policy stance in 2018

- I. Reserve requirement was kept at 18.00%.
- II. Pledging rate increased by 50 basis points to 2.00%.
- III. At the bi-weekly auctions of Certificates of Deposit, the Bank aimed at a gradual reduction in the outstanding amount.





Economic Outlook





Expected developments in the monetary union in 2019 and 2020

| | 2017 | 2018 | 2019** | 2020** |
|---|----------|----------|----------|----------|
| Current account balance (in mln NAf.) | -1,120.3 | -1,507.4 | -1,831.3 | -1,900.8 |
| Change in gross foreign reserves of the central bank (in mln NAf.)* | 17.6 | 274.3 | 136.0 | 120.0 |

| | | | | |
|---------------------|------|------|------|------|
| Real GDP growth (%) | | | | |
| Curaçao | -1.7 | -2.2 | -1.8 | -0.1 |
| Sint Maarten | -4.8 | -6.6 | 3.1 | 2.8 |

| | | | | |
|---------------|-----|-----|-----|-----|
| Inflation (%) | | | | |
| Curaçao | 1.6 | 2.6 | 2.5 | 2.6 |
| Sint Maarten | 2.2 | 2.7 | 2.5 | 2.2 |

*- sign means an increase

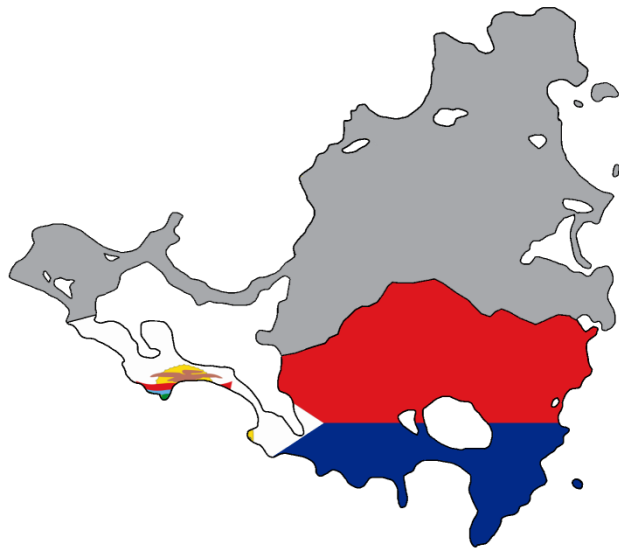
** projection CBCS.



Expected developments in Curaçao in 2019

- I. Curaçao's economy is projected to contract by 1.8% in 2019 due to declines in net foreign and domestic demand.
- II. Inflationary pressures are expected to decrease slightly to 2.5% in 2019 due to a fall in international oil prices moderated by an increase in international food prices.





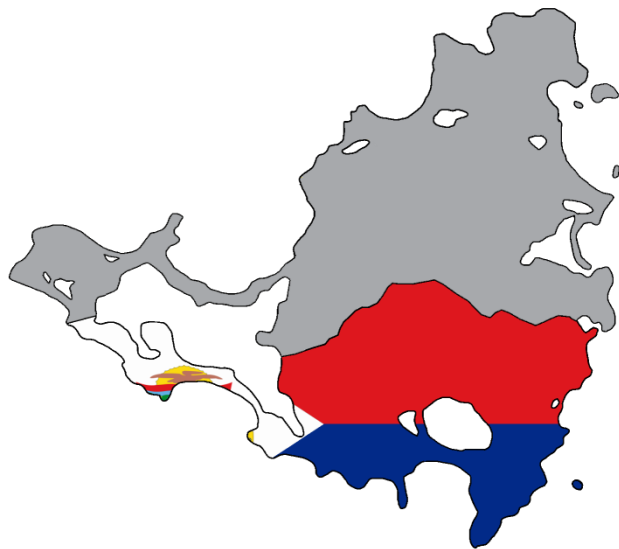
Expected developments in Sint Maarten in 2019

- I. Sint Maarten's real GDP is estimated to expand by 3.1% in 2019, driven by an increase in domestic demand.
- II. Inflation is projected to ease to 2.5% due to a decline in international oil prices.

Expected developments in Curaçao in 2020

- I. For 2020, a slight GDP contraction of 0.1% is expected as the decrease in domestic demand will surpass the increase in net foreign demand.
- II. Inflationary pressures are expected to increase slightly to 2.6% because the drop in international oil prices will be mitigated by an increase in food prices.





Expected developments in Sint Maarten in 2020

- I. Sint Maarten's real GDP is estimated to grow by 2.8% in 2020, driven mainly by both domestic and net foreign demand.
- II. Following the price hikes in the aftermath of the hurricane in 2017, inflationary pressures are expected to ease to 2.2%.



Projection balance of payments 2019-2020

(transaction basis, NAf. mln)

| | 2017 | 2018 | 2019** | 2020** |
|--------------------|----------|----------|----------|----------|
| Current account | -1,120.3 | -1,507.1 | -1,831.1 | -1,900.8 |
| Capital account | -2.7 | 33.6 | 193.3 | 193.3 |
| External financing | 1,004.5 | 962.7 | 1,377.5 | 1,445.7 |
| Change in reserves | 17.6 | 274.3 | 136.0 | 120.0 |



THE END